opinion of the investing public as to what the future prospects of the company are at that point of time. However, when a stock is traded infrequently, or is traded in an erratic market, or is closely held, such as in the case of Angeles Chemical, some other measure of value must be found.

The Internal Revenue Code of 1954, Section 2031(b), specifies that the value of stocks and securities of corporations not listed on an exchange or freely traded "...shall be determined by taking into consideration, in addition to all other factors, the value of stock or securities of corporations engaged in the same or a similar line of business which are listed on an exchange."

Revenue Ruling 59-60, issued in March 1959 for estate valuation purposes and extended to include the determination of fair market value of closely held businesses for income and other tax purposes by Revenue Ruling 65-193, further develops a set of eight criteria which, while not all-inclusive, are fundamental to the appraisal of the fair market value of closely held companies. They include:

- --- History of the Company and Nature of Its Business
- Economic Outlook in General and Condition and Outlook of the Industry in Particular
- -- Book Value of the Stock and Financial Condition of the Business
- -- Earnings Capacity of the Company
- -- Dividend Paying Capacity

Counter

- -- Whether or Not the Enterprise Has Goodwill or Other Intangible Assets
- Sales of Stock and Size of the Block of Stock to be Valued The Market Price of Stocks of Corporations Engaged in the Same or a Similar Line of Business Having Their Stocks Actively Traded in a Free and Open Market or Over the

The Effect of ESOP Contributions on Fair Market Value

Anchem's ESOP was established in fiscal 1984. The Company made a cash contribution of \$6,500 in fiscal 1988, \$65,000 in fiscal 1987, and in "B" stock the prior two years.

The implementation of an Employee Stock Ownership Plan may have a material effect on the profitability and cash flows of a business enterprise. The effect on profitability and cash flows can, as a consequence, directly impact the fair market value of the business enterprise. The degree of effect depends on how the ESOP is used and can vary by changing the amount and/or nature of the annual contribution itself (cash or stock).

An additional consideration in determining fair market value for an ESOP company is how the Company is providing for the emerging liability created when vested terminated plan participants tender Company stock for redemption.

For detailed discussions of the effect of cash and/or stock contributions on earnings, cash flows and book values and of the impact of emerging liability treatment on ESOP stock marketability, see Section II of the November 1987 valuation study.

Comparability in Accounting Methods

The accounting profession allows a number of alternative accounting treatments in areas such as inventory and depreciation accounting. Depending upon the particular accounting method utilized, reported earnings may differ materially within a given year. These accounting treatments, which are permitted under Generally Accepted Accounting Principles (GAAP), are usually one-time decisions. Once a company has opted for a particular accounting treatment it cannot change between various accounting alternatives year after year without good cause. Because of these rules, accounting statements for a particular company are generally comparable from year to year. This comparability, however, may not exist from company to company even if they are in the same industry. This is especially true if one is comparing a "public" company with a "closely held" company.

A further discussion of Menke & Associates perception of the differences and economic ramifications of public and private Company accounting procedures is also found in Section II of the November 1987 valuation study.

Discounts to Fair Market Value

The marketability of the company's stock, the control position of majority shareholders, and the relationship of these factors to the block of stock being valued can also affect the concluded value. Closely held stock, which lacks marketability, is far less attractive than a similar stock with ready access to the public marketplace. A minority stock interest in a closed corporation is usually worth much less than a proportionate share of the entity value of all the corporate stock. In valuing a block of stock, Revenue Rulings and court decisions provide a basis for concluding that a discount is valid for an absence of marketability if the value base does not already reflect the lack of marketability.

In the absence of an ESOP or adjustments to capitalization rates, discounts can range from 10% to 30% or more. When both discounts are applied, they are sequential.

III. COMPANY AND INDUSTRY

Angeles Chemical is a resale/distributor primarily of liquid industrial chemicals used principally in the coating process. About 60% of sales are industrial chemicals, and the balance packaging various solvents for building supply retailers.

The Company has about 150 active industrial customers and 400-500 in the packaging division, all of which are located in Southern California. Its average shipment is about \$1,000. Its biggest customers have been Standard Brands Paint Co. and Ellis Paint Co. Ellis is owned by Raymond Berg, an Anchem founder and current shareholder.

As discussed in last year's valuation study, business from Standard Brands Paint (paint thinner), which accounted for about 5% of sales in fiscal 1987, had dropped sharply in the first quarter (May to July 1987) of fiscal 1988. To this date, sales to Standard Brands have not recovered. In the fall of 1986, the Company lost its largest account, Boyle-Midway (Wizard charcoal lighter), to which sales had been as high as \$1.9 million (16% of total) in fiscal 1986. In the last quarter of fiscal 1988 Home Club, described as a \$1 million account, stopped buying from Bortz, an Anchem division.

In an effort to diversify its products and markets, Anchem purchased Bortz Oil in fiscal 1986 from its owner for \$450,000 — \$80,000 in cash and \$370,000 in a two year secured promissory note. Specifically, Anchem acquired the name, trade receivables, customer accounts and certain assets of Bortz Oil and has a three year marketing agreement with Steve Bortz, son of the seller. Bortz is a packager of thinners and finishers in small containers for the consumer/retail market. Prior to the acquisition, it was losing money on about \$3 million in sales.

Anchem's basic raw materials are these organic chemicals — propylene, methanol, toluene, xylene, ethylene glycol, acetone and isopropy/alcohol. These are forms of petroleum distillates which are purchased from Shell, Chevron, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and 9 above-ground tanks (old railroad tank cars of 2,000 gallons capacity each).

Anchem operates out of administrative offices, packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The structures and improvements are Company-owned, while the underlying real estate is owned by a partnership comprised of the three founding stockholders — John Locke, Raymond Berg and Arnold Rosenthal. Mr. Rosenthal is no longer active in the Company. Mr. Locke has informed Menke & Associates of a proposal for the Company to purchase the Santa Fe Springs real estate from the partnership at fair market value. To the degree that such a transaction would impair the Company's liquidity and/or increase

its financial leverage through debt issuance, the transaction could have a negative effect on future ESOP valuations. The Company rents the land for approximately \$72,600 per year on a triple net basis.

Anchem rents 20,000 square feet of warehouse space in a Los Angeles building owned by Raymond Berg. The Company is considering relocating this warehouse space to a site adjacent to its plant.

Anchem is subject to a number of environmental regulatory agencies. These include South Coast Air Quality Management District, Environmental Protection Agency, the California Highway Patrol (hazardous material, permit inspections, etc.), the Fire Department of the City of Santa Fe Springs and others. As of the date of this report preparation, Anchem has no environmental agency actions, citations or violations. It is not clear to the appraiser whether chemical contamination if it exists, such as long-term leakage from (underground) storage tanks, is the Company's or the partnership's responsibility, or both. Chemical companies today operate in a difficult political and social environment with attendant liability exposure, business constraints and financial risks. The cost of a major chemical spill or incident could impair Anchem's financial viability. The Company has general liability insurance coverage at \$1 million per incident.

As of the summer of 1988, Anchem had 34 full-time employees versus 43 a year earlier reflecting the downsizing of the Company. The Company has also substantially reduced temporary or part-time help since the end of fiscal 1988.

Management and Stock Ownership

The Company officers as of summer 1988 were:

| Officer | <u>Title</u> | Joined Co. | . <u>Age</u> |
|----------------|---------------------|------------|--------------|
| John Locke | President, CEO | 1971 | 62 |
| Raymond Berg | Secretary/Treasurer | 1971 | ~~ |
| John Tracy | Operations Manager | 1984 | 43 |
| James Froelich | Controller | 1987 | 44 |

Ronald Bell, an employee since 1972, and most recently Industrial Plant Manager, resigned in October 1987. Fred Howard, Sales Manager, left Anchem in May 1988. Candi Hutton, an employee since 1977 and formerly Administrative Manager, has been transferred to sales and service.

The Board of Directors consists of John Locke, Raymond Berg, and Arnold Rosenthal. A company founder, Mr. Rosenthal sold his stock to the ESOP in 1984 and now has a consultant agreement with Anchem at \$57,500 per year through July 1989. Mr. Berg's primary employment is President of Ellis Paint Co., an important Anchem customer.

As of April 30, 1988 there were 40,000 Class A and 14,065 Class B common shares outstanding (excluding treasury stock) as follows:

| Holder | <u>Number of Shares</u> | |
|--------------|-------------------------|------------|
| John Locke | 20,000 A shares | 37% |
| Raymond Berg | 20,000 A shares | 37 |
| ESOP | <u>14,065</u> B shares | <u> 26</u> |
| Total | 54,065 A & B shares | 100% |

Class A common stock is voting and Class B is nonvoting. Otherwise the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraiser nor by Menke & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues.

The Industry

The November 1987 valuation study contains an industry overview which describes chemical distribution as a \$10 billion industry populated by about 1,000 companies, with much of the growth occurring at the large firms who can provide a broad level of services. Smaller distributors, such as Anchem, must cope with stricter environmental and safety regulations. Since the industry is growing at about 5% annually, Anchem, with declining sales since 1982, is losing market share in its geographic region. After several years without price relief, chemical distributors have been able to raise prices in the past year or so.

Financial Analysis and Review

Anchem has provided Menke & Associates with financial statements for the fiscal years 1984-1988. These financial statements have been thoroughly examined and discussed with management. A copy of the Company's financial statement for the fiscal year ended April 30, 1988, prepared as a compilation by Arthur Buhlman & Co., CPAs, is attached as Appendix I.

The results of our review and analysis of Anchem's financials are contained in the exhibits outlined below:

Exhibit A -- Comparative Income Statement, FY1984-1988

Exhibit B -- Comparative Balance Sheets, FY1984-1988

Exhibit C -- Statement of Changes in Financial Position, FY1986-1988

Exhibit D -- Selected Financial Ratios, FY1986-1988

These exhibits are presented at the end of this section of the report. The following comments and observations are based on Menke & Associates' review and analysis of the Company's financial statements.

Exhibit A contains Anchem's comparative operating statement in terms of dollars and dollars as a percent of sales for the period fiscal 1984-88. Sales dropped nearly \$1.1 million or 10.3% to \$9.44 million in fiscal 1988. This is the sixth consecutive year of sales declines. From the peak year of \$16.8 million in fiscal 1982, sales have fallen an aggregate of \$7.4 million or 44% as the Company has lost several major accounts as discussed earlier, and market share. So far, the October 1986 purchase of Bortz Chemical has not halted the persistent sales erosion. Originally, management forecast that sales in fiscal 1988 would equal fiscal 1987's \$10.5 million. For fiscal 1989, management is estimating that sales will plateau at \$9.5 million.

Cost of goods sold dropped 9.6% to \$7.04 million in fiscal 1988 from \$7.8 million on lower processing volume. Gross profit dropped 12.1% to \$2.4 million in fiscal 1988 from \$2.7 million; however, gross profit margins were maintained at 25.4% versus 26.0% in fiscal 1987 and 18.3% in fiscal 1986. The Company was not as successful as originally anticipated in reducing administrative costs. Operating expenses were reduced by only 5.4% to \$2.5 million or 26.4% of sales in fiscal 1988 versus \$2.64 million or 25.1% of sales in fiscal 1987. As explained in the November 1987 valuation study, operating expenses across the board have risen sharply in the last several years in absolute and relative terms. As late as fiscal 1986, operating expenses were only 17.6% of sales.

Accordingly, for the first time Anchem had a small operating loss of \$95,000 in fiscal 1988 as compared with an operating profit of \$94,000 in the prior fiscal year.

Other income rose to \$189,000 in fiscal 1988 from \$73,000 on a \$65,000 gain on sale of assets as the Company converted some of its drum deposits into sales. Other expenses jumped to \$123,000 from \$88,000 as the Company realized a capital loss of \$47,000 on the sale of part of its Pilgrim Adjustable Rate (P.A.R.) preferred stock fund holding. Anchem sold the balance of its P.A.R. fund position in fiscal 1989 at a capital loss. Other expenses also include interest on the Bortz loan which will be paid off in the fall of 1988 and a consulting expense to former stockholder Rosenthal of \$57,500 which stops in July 1989.

The Company recorded a pretax loss of \$29,000 in fiscal 1988 versus a prior year profit of \$79,000 and net income of \$14,000 (after a tax credit of \$43,000) as compared with net profit of \$67,000 in fiscal 1987.

Exhibit B contains a comparative balance sheet for Angeles Chemical for the five years FY1984-88.

Cash and liquid investments increased to \$243,000 (7.9% of assets) from \$202,000 (6.2%) in fiscal 1987. Cash and equivalents is down, however, from the much higher range of 16-27% of assets for fiscal 1984-86. Further, at April 30, 1988 the P.A.R.

fund investment was carried at cost of \$233,000 versus a market value of approximately \$191,000 when these holdings were sold in July 1988. Accounts receivable at \$1.2 million (39.9%) were down about \$100,000 from fiscal 1987. Inventories were down slightly from the year before at \$773,000 (25.3%). Current assets were \$2.4 million, down from \$2.53 million a year earlier.

Fixed assets at cost rose \$123,000 to \$1.7 million, primarily a result of capitalizing dums for the first time. The accumulated depreciation offset on these drums was increased on a one-time basis also. Net fixed assets dropped to \$623,000 from \$733,000 at April 30, 1987. Total assets were \$3.06 million, down just over 6% from the \$3.2 million to \$3.3 million level of the prior four years.

Current liabilities dropped \$156,000 or 14.6% year to year to \$912,000 with declines being registered in accounts payable, drum deposits (because of the forementioned partial capitalization) and the Bortz note payable. Long-term liabilities at \$13,000 represent the balance to be paid on the Bortz note. Shareholder equity rose very modestly to \$2.14 million at April 30, 1988 and stood at just under 70% of total assets, a high for at least the last five years.

Working capital at April 30, 1988 was \$1.51 million, up slightly from \$1.46 million a year earlier. As shown in Exhibit D, the current ratio has increased at April 30, 1988 to 2.65:1 from 2.3:1 in the prior two years; and the quick ratio improved somewhat to 1.61:1 from 1.42:1.

Anchem's operating results continue to deteriorate to a point of some concern in terms of long-term business viability. Notwith-standing management representations, Menke & Associates and the appraiser cannot determine whether the Company's sales and earnings are bottoming out at fiscal 1988 levels of \$9.4 million and a small pretax loss, respectively. Although corporate liquidity has dropped from several years ago, the basically long-term debtfree balance sheet with solid current financial ratios is a source of equity value and provides management with the financial resources to reverse or stabilize Anchem's operating performance.

ANGELES CHEMICAL CO.

Exhibit A

Comparative Income Statement 1984-88 (000)

| Year End April 30 | :1 | 988 | 19 | 87 | 19 | 86 | 198 | 15 | 19 | Q4 |
|---------------------|--------------|--------|--------------|--------|---------------|--------|---------------|--------|---------------|-----------|
| Sales | \$9,442 | 100.0% | \$10,521 | 100.0% | \$12,129 | 100.0% | \$13,520 | 100.01 | \$14,455 | 100.0% |
| Cost of Sales | 7,040 | 74.6 | 7,787 | 74.0 | 9,909 | 81.7 | 11,296 | 82.2 | 12,397 | 85.8 |
| Gross Profit | 2,402 | 25.4 | 2,734 | 26.0 | 2,219 | 18.3 | 2,224 | 6.2 | 2,058 | 14,2 |
| Operating Expenses | 2,497 | 26.4 | 2,640 | 25.1 | 2,136 | 17.6 | 1,994 | 14.5 | 1,948 | 13,5 |
| Operating Income | (95) | (1.0) | 94 | .9 | 83 | .7 | 230 | 1.7 | 110 | .8 |
| Other Income | 189 | 2.0 | 73 | .7 | 180 | 1.5 | 224 | 1.6 | 163 | 1.1 |
| Other Expenses | 123 | 1.3 | 8 8 | .8 | 48 | .4 | 41 | . 3 | 3 | |
| Pretax Income | (29) | (.3) | 79 | .8 | 215 | 1.6 | 414 | 3.0 | 270 | 1.9 |
| Provision for Taxes | 43 | . 5 | (12) | (.1) | (75) | (.6) | (187) | (1.4) | (94) | (1.4) |
| Net Income | \$ <u>14</u> | .11 | \$ <u>67</u> | .64 | \$ <u>139</u> | 1.2% | \$ <u>227</u> | 1.64 | \$ <u>175</u> | 1.24 |

SOURCE: Company financial statements (Unaudited)

ANGBLES CHEMICAL COMPANY Exhibit B Comparative Balance Sheet 1984-88 (000)

| As of April 30; | 1 | 988 | 1 | 987 | 1 | a á g | 1 | 985 | 1 | 984 |
|------------------------------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|
| Current Assets: | | | | | | | | | | |
| Cash & Lig. Inv, | \$ 243 | 7.9% | \$ 202 | 6.21 | S 905 | 27.5% | \$ 521 | 16.24 | s 635 | 19.78 |
| Accounts Rec. | 1,222 | 39.9 | 1,323 | 40.5 | 1,288 | 39.2 | 1,591 | 49.6 |),668 | 51.6 |
| Inventories | 773 | 25.3 | 794 | 24.3 | 597 | 18.2 | 627 | 19.6 | 524 | 16.2 |
| Prepaid Exp./Othe | r <u>184</u> | 6.0 | 206 | 6.3 | 115 | 3.5 | 62 | 1.9 | 33 | 1.0 |
| Total | 2,421 | 79.1 | 2,526 | 77.3 | 2,906 | 88.5 | 2,801 | 87.3 | 2,860 | 88.5 |
| Fixed Assets & Cost | | | 1,601 | | 1,089 | | 1,026 | | 914 | |
| Accum. Depreciation | | | <u>(668</u>) | | <u>(719</u>) | | (629) | | <u>(553</u>) | |
| Net Fixed Assets | 623 | 20.4 | 733 | 22.4 | 371 | 11.3 | 397 | 12.4 | 362 | 11,2 |
| Other Assets | 17 | .5 | 8 | .2 | 8 | | 8 | | Ð | |
| Total Assets | \$ <u>3,061</u> | 100.0% | <u>\$3,266</u> | 100.0% | \$ <u>3,265</u> | 100.0% | \$3,207 | 100.0% | \$ <u>3,230</u> | 100.0% |
| Current Liabilities | 1 | | | | | | | | | • |
| Accounts Payable | \$ 570 | 18.64 | S 609 | 18.6% | \$1,119 | 34.14 | \$1,120 | 34.9% | \$1,007 | 31.23 |
| Deposits | 142 | 4.6 | 198 | 5.8 | 159 | 4.8 | 143 | 4.4 | 112 | 3.5 |
| Note Payable-Bort | z 83 | 2.7 | 193 | 5.9 | | | | | | 3.3 |
| Accrued Expenses | 116 | 3.8 | 68 | 2.1 | 49 | 1.5 | 69 | 2.2 | 303 | 9.3 |
| Inc. Tax Payable | | | | | <u>_(87)</u> | (2.6) | 92 | 2.9 | (53) | (1.6) |
| Total | 912 | 29.8 | 1,066 | 32.7 | 1,240 | 37.7 | 1,424 | 44.4 | 1,370 | 42.4 |
| L/T Liabilities | 73 | .4 | . 76 | 2.3 | | | | | = | |
| Shareholder Equity | 2,136 | 69.9 | 2,122 | 65,0 | 2.046 | 62,3 | 1,782 | 55.6 | 1,854 | 57.4 |
| Total Liabilities and Equity | \$ <u>3,061</u> | 100.0% | \$ <u>3,266</u> | 100.0% | \$ <u>3,286</u> | 100.0% | \$ <u>3,207</u> | 100.01 | \$ <u>3,230</u> | 100.01 |

SOURCE: Company financial statements (unaudited),

ANGELES CHEMICAL COMPANY Exhibit C Statement of Changes in Financial Position FY1986-88 (000)

| Year End April 30: | 1988 | 1987 | <u> 1986</u> |
|--|--------------|------------------|---------------|
| Source of Funds: | | | |
| Net Income | 5 14 | \$ 67 | \$139 |
| Item not Requiring Working Capital: | | | |
| Depreciation | 419 = | 157 | 98 |
| Other Sources: | | | |
| Tax Refunds | | | 7 |
| Sale of Assets | 1 | 8 | 10 |
| Increase in Long-Term Debt | _(2) | <u>162</u> | _== |
| Total Source of Funds | <u>433</u> | <u>395</u> | <u>255</u> |
| Application of Funds: | | | |
| Decrease in Long-Term Debt | 61 | 87 | *** |
| Purchase of Assets | 310 | 522 | 82 |
| Deposit Decrease | 10 | | |
| Paid-In Capital | | | 113 |
| Total Application of Funds | <u> 381</u> | <u>608</u> | <u>31</u> |
| Increase (Decrease) in Working Capital | \$ <u>52</u> | \$(<u>213</u>) | \$ <u>286</u> |
| Changes in Working Capital - Increase (Decrease) | | | |
| Cash | 5 40 | \$(68L) | S 369 |
| Accounts Receivable | (99) | 12 | (286) |
| Inventories | (21) | 1.97 | (30) |
| Prepaid Expenses | (26) | 91 | 92 |
| Accounts Payable | 38 | 509 | 3 |
| Accrued Payroll | 12 | (19) | (I) |
| Payroll & Sales Tax Payable | (35) | 1 | (4) |
| Income Taxes Payable | \ <u></u> ' | (94) | 180 |
| Drum Deposits | 46 | (36) | (12) |
| Customer Deposits | 10 | (3) | (4) |
| Employee Benefit & Welfare | (1) | (1) | |
| Loans/Notes Payable | 101 | (193) | |
| Accrued Profit Sharing | | 3 | 25 |
| Other | 13 | | |
| Increase (Decrease) in Working Capital | \$ <u>52</u> | \$(<u>213</u>) | \$ <u>286</u> |

 $^{^{\}star}$ Depreciation source in fiscal 1888 is higher than operating depreciation because of capitalization of drums.

SOURCE: Company financial statements (unaudited).

ANGELES CHEMICAL CO.

Exhibit D

Selected Ratio Analysis FY1986-88

| | FY April | 30: | 1988 | <u>1987</u> | <u>1986</u> |
|---|----------|-----|------|-------------|-------------|
| Liquidity Ratios | | | | | |
| Current (Current Assets divided by Current Liabilities) | | | 2.65 | 2.36 | 2.34 |
| Quick (Cash & Accounts Receivable divided by Current Liabilities) | | | 1.61 | 1.42 | 1.77 |
| Sales/Receivables (Sales divided by Accounts Receivable) | | | 7.73 | 7.98 | 9.42 |
| Sales/Working Capital (Sales divided by Working Capital) | | | 6.3 | 7.2 | 7.3 |
| Cost of Goods Sold/Inventories (Cost of Goods Sold divided by Inventories) | | | 9.1 | 9.8 | 16.6 |
| Coverage Ratio | | | | | |
| EBIT/Interest (Earnings before Interest and Tax divided by Interest Expense) | | | Neg. | 5.2 | NA |
| Cash Flow/Maturity LTD (Net Income + Depreciation Expenses divided by Current Portion of Long Term Debt) | | | 2.5 | 1.2 | NA |

Exhibit D (cont.)

| | FY April 30: | 1988 | 1987 | <u>1986</u> |
|---|--------------|------|------|-------------|
| <u>Leverage Ratios</u> | | | | |
| Debt/Worth (Total Liabilities divided by Net Worth) | | 0.43 | 0.54 | 0.61 |
| Long-Term Liabilities/Worth (Liabilities over one year divided by Net Worth) | | Non. | 0.04 | NA |
| Operating Ratios | | | | |
| Percent Profit before Taxes/ Net Worth (Pretax Profit divided by Assets less Liabilities) | | Neg. | 3.7% | 10.5% |
| Total Asset Turnover (Sales divided by Average Total Assets) | | 2.98 | 3.21 | 3.74 |
| Return on Equity (Net Income divided by Average Stockholders' Equity) | , | Nom. | 3.2% | 7.3% |
| Return on Assets (Net Income divided by Average Stockholders' Equity) | | Nom. | 2.0% | 4.3% |

NA = Not applicable

Neg. = Negative calculation

Nom. = Nominal

IV. VALUATION

In arriving at a value determination for Angeles Chemical, Co. Menke & Associates has considered all relevant factors under Revenue Ruling 59-60 with respect to the valuation of closely held companies. The following comments represent our findings with respect to those specific factors outlined in Revenue Ruling 59-60 as they pertain to the valuation of a closely held company such as Anchem.

Book Value

Anchem's stated book value was \$2,136,098 as of April 30, 1988.

Normally, book value or adjusted book value is not afforded much weight or consideration in the valuation of an operating company such as Anchem. Such type companies are normally valued on earnings and/or cash flow capacity. Because of depressed operating results, Menke & Associates chose to use book value as fair market value for ESOP purposes as of April 30, 1987 and is using it as a valuation reference as of April 30, 1988.

Dividend History, Capacity and Probability

Revenue Ruling 59-60 suggests that the appraiser consider dividends and dividend paying capacity in valuing closely held securities.

The Company has not paid any dividends on its common stock and has no intention of changing this policy at this time. This policy is quite appropriate for a small, private company which is owned by shareholders who neither rely upon nor expect dividend income.

Normally, earnings reinvested in the growth of the Company can be expected to earn at a greater return than dividend income invested in other investment opportunities with similar risks and prospects. Consequently, shareholders will ultimately benefit from the current policy to reinvest earnings in the Company's growth rather than to pay cash dividends.

The capacity to declare and pay cash dividends is a positive consideration. The decision not to pay dividends is not a negative consideration.

Comparable Companies -- Publicly Traded

Revenue Ruling 59-60 suggests that the appraiser consider the market price of stocks of corporations engaged in the same or a similar line of business having their stock actively traded in a free and open market or over the counter. Menke & Associates has made an exhaustive search for comparable public companies which can be deemed to be similar to Anchem. No single company proved to be a worthy publicly traded comparable. Publicly traded

companies are generally much larger and more diverse both geographically and in business operations.

One such large public company is Univar Corp. As reviewed in the November 1987 study, Univar is the largest U.S. chemical distributor with fiscal 1988 revenues of \$1.1 billion. Van Water & Rogers, a Univar division, is a direct Anchem competitor. Univar's net income per share was \$1.27 and cash flow (net income plus depreciation) was \$2.87 for the fiscal year ended February 29, 1988. Univar's current ratio as of that date was 1.4:1; debt to equity was 1.2:1 and book value was \$11.80 per share. Return on sales and equity were 1.0% and 12.3% respectively. As of April 30, 1988, Univar common was trading at \$17-3/4 or 1.5% book value, 14.0% earnings, 6.2% cash flow and 14% of revenues.

Normally, Menke & Associates would select a capitalization rate or Price/Earnings ratio by reference to P/E ratios for market indices such as the Dow Jones Industrials, Standard & Poor's 400 and Moody's Chemical Industry composite. Since a capitalization of earnings methodology is not now being employed, such a reference is not appropriate. Univar's market capitalization rates may be broadly referenced in the future although Univar is a substantially larger and much more geographic, customer and product diverse company.

Cash Flow and Earnings Capacity

The prior ESOP valuations by Charles Stark, PC, appear to rely on conclusions derived from capitalizing five year average of net income, aftertax cash flow and pretax available cash flow, among other methods. Aftertax cash flow is net income plus depreciation or total source of funds. Available cash flow before taxes is pretax income plus profit share/ESOP contribution plus depreciation. Anchem's earnings and cash flow as just defined for FY1988 and its recent three-year average is shown below:

| | | Cash B | low |
|----------------|------------|-----------|-----------|
| <u>Period</u> | Net Income | Available | After Tax |
| | | 5173 000 | |
| FY1988 | \$14,000 | \$171,000 | \$208,000 |
| FY1986-88 Avg. | 73,000 | 295,000 | 226,000 |

NOTE: Figures have been rounded

In a cyclical industry such as chemical distribution, it is normally appropriate to use five-year averages for valuation purposes as was done in the past. However, Anchem's steady decline in sales and profits indicates an alteration in the Company's basic operating circumstances. Consequently, the employment of historic five-year averages is not indicative of the Company's current and future income and cash flow. The appraiser therefore did not use these longer term averages and feels that a three-year average also may not be indicative.

It is important to note that 1988's net income and aftertax cash flow reflect a very small ESOP contribution, while there were sizable ESOP contributions of \$92,000 (stock) and \$66,000 in fiscal years 1986 and 1987, respectively. Also, John Locke "deferred" on a nonaccrued basis \$25,000 of his 1988 bonus.

As discussed earlier, management is suggesting fiscal 1989 sales of \$9.6 million and modest earnings before taxes and ESOP contribution and with officer bonuses at the 1987 level of \$145,000. If this occurs, Anchem would have available cash flow, as defined above, of about \$200,000, which after the final payment on the Bortz note can be used to maintain corporate liquidity and for capital improvements which in a shrinking business may not be significant. Approximately \$58,000 of cash will be freed up by July 1989 when the Rosenthal consulting agreement terminates.

Valuation

Because of insufficient demonstrable earning power and moderate cash flow prospects, Menke & Associates and the appraiser once again must look to the balance sheet for valuation purposes as in fiscal 1987 when we employed book value for fair market value. For the instant valuation, the appraiser believes the stated book value of \$2.14 million should be discounted 10% or \$214,000 to reflect the overstatement as of April 30, 1988 of the "cash" account and the opinion supported by management that fixed assets would be liquidated at below book or carrying value.

Since management has not provided Menke & Associates with specific current estimates of plant and equipment market value, the appraiser's 10% discount to an adjusted value of \$1,922,000 is somewhat judgmental. At the valuation date, Anchem was essentially long-term debt free and working capital was \$1.5 million.

Subtracting working capital of \$1.51 million from the adjusted book value suggests the plant and equipment may be worth in an orderly liquidation \$413,000. This figure or part of it could also represent business goodwill and going concern value although economic worth of these elements, which Menke & Associates has not attempted to otherwise quantify, is shrinking as the Company loses customers.

The indicated fair market value of \$1,922,000 is 11.2X FY1988 available cash flow (CF) and 9.2X aftertax CF. It is also 6.5X average fiscal 1986-88 available CF and 8.5X aftertax CF for 1986-88 average. While these capitalization rates are generally high, they do provide some support to the value conclusion.

Generally, capitalization of income and cash flow streams is the appropriate methodology for determining the equity fair market value of an operating company such as Anchem. The decision to primarily utilize book value is based on the factors discussed and Menke & Associates and the appraiser's experience and knowledge in deriving equity values of closely held companies.

As of the ESOP plan year, which began May 1, 1987, the ESOP Committee changed its policy of paying terminated plan participants in a lump sum to paying participants terminated for reasons other than retirement at age 65 in five annual pay-outs commencing on the first anniversary of termination. Terminated plan participants sell 20% of their stock in each of five years at the fair market value applicable for each year. Accordingly, the above derived value is discounted for restricted marketability by 10% or \$192,000 to produce a fair market value for ESOP purposes of \$1,730,000 or \$32.00 a share on 54,065 A and B shares outstanding.

It should be noted that the fair market value has thus been reduced by one-third (33.5%) from the aggregate ESOP valuation of \$2.6 million as of April 30, 1986, which decline recognizes the subsequent two-year deterioration in the Company's operating record and the deferred ESOP payout policy now being followed.

Recent Stock Sale and Valuation

Revenue Ruling 59-60 suggests that arm's-length sales to knowledgeable unrelated third parties in the recent past would be a basis for valuation.

There have been no such recent transactions.

V. CONCLUSIONS

Based on our experience and general knowledge in determining the value of closely held companies and upon the consideration of all factors previously discussed, Menke & Associates is of the opinion that the fair market value of the outstanding common stock of Angeles Chemical Co. for ESOT purposes is \$1,730,000 or \$32.00 per share as of April 30, 1988 on 54,065 A and B shares outstanding. This valuation is based on adjusted book value and a capitalization of cash flow.

Specific positive factors concerning Anchem were its positive cash flow, its still solid and long-term debt free balance sheet which may sustain the Company through this period of depressed profits, and management's apparent commitment to further reduce operating expenses.

Negative factors were six consecutive years of sales and profit decline, inadequate returns on capital and equity, uncertainty over the timing of an operating stabilization or turnaround, loss of middle management and marketing personnel, the relative erosion of corporate liquidity, and the environmental problems of the chemical industry.

It is important to point out that this evaluation is specifically intended to establish a per-share fair market value for shares to be issued or sold to the ESOT. This report does not specifically address the evaluation of the Company as an entity. The value of the Company as a whole, with the attendant rights to control the direction and growth of the Company, to influence or control compensation and dividends, to change the management, to acquire other companies and/or business operations, to buy companies or new product lines, or to sell or merge the Company, may be greater than the total value implied by this evaluation.

On the other hand, the value of minority interest shares held outside of an ESOT would probably be less than the value determined in this report. An ESOT with a "put" option obligating the Trust to repurchase the shares held by participants provides a valid market for such stock. Minority interest shares held outside of the ESOT would by necessity be discounted by more than 10% taken here for their greater inherent lack of marketability.

This valuation is as of April 30, 1988; and, since it is based upon recent financial statements, it should be valid for the near future. However, it is imperative to recognize that the dynamics of the industries served and general economic conditions can change and invalidate this evaluation. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

APPENDIX I

ARCHER, BULMAHN & CO. CERTIFIED PUBLIC ACCOUNTANTS

626 SOUTH LAKE AVENUE - PASADENA, CALIFORNIA 91106

To the Board of Directors Angeles Chemical Co., Inc.

We have compiled the accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1988 and the related statements of income and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or performed a review service on the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position and results of operation, and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about such matters.

CERTIFIÉD PUBLIC ACCOUNTANTS

July 14, 1988

ANGELES CHEMICAL CO., INC. BALANCE SHEET UNAUDITED APRIL 30, 1988

ASSETS

| CURRENT ASSETS PETTY CASH CASH IN BANK CASH IN BANK - BORTZ CASH IN MONEY MARKET P.A.R. FUND ACCOUNTS RECEIVABLE ALLOW. FOR DOUBTFUL ACCTS. | 1,211,445.84 (21,940.85) | \$ 400.00 (4,574,95) 9,176,47 5,353,75 233,174,28 | |
|--|--|--|---|
| NET RECEIVABLES ACCTS. REC STALLION ACCTS. REC OTHER EMPLOYEE ADVANCES INVENTORY - CHEMICALS INVENTORY - PACKAGING INVENTORY - PKGBORTZ INVENTORY - GASOLINE PREPAID INCOME TAX PREPAID INTEREST PREPAID FROPERTY TAXES PREPAID INSURANCE PREPAID AUTO LEASE PREPAID FACKAGING PREPAID EXCISE TAX - FUEL | | 1,189,504.99 23,614.51 8,968.34 2,318.51 389,781.24 88,550.31 287,505.31 7,027.04 55,888.00 2,754.82 2,027.63 (1,753.40) 83,023.80 775.00 10,633.32 25,570.28 1,002.76 | |
| TOTAL CURRENT ASSETS | | | \$ 2,420,700.01 |
| | 97,811.43 187,733.15 737,213.55 200,635.00 15,685.78 326,158.88 158,595.50 | | : |
| TOTAL FIXED ASSETS LESS: ACCUMULATED DEPRECIATION | | 1,723,833,29 (1,101,072,96) | |
| NET FIXED ASSETS | | | 622,760.33 |
| OTHER ASSETS DEPOSITS DEPOSITS - PALLETS DEPOSITS - DRUMS | · · | 4,823,00 489,50 12,160,75 | : |
| TOTAL OTHER ASSETS | | - ; | 17,473.25 |
| TOTAL ASSETS | | | \$ 3,060,933,59 |

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL CO., INC. BALANCE SHEET UNAUDITED APRIL 30, 1988

LIABILITIES AND CAPITAL

| PAYROLL TAXES PAYABLE SALES TAX PAYABLE | \$ 570,396.27 21,883.05 25,977.53 15,523.98 41,885.79 .00 .00 142,103.00 1,701.53 82,648.02 9,564.72 .00 | The second secon |
|---|---|--|
| CAPITAL CAPITAL STOCK - \$.10 PAR VALUE, 1,000,000 SHS. AUTHORIZED, 54,065 SHS. ISSUED & OUTSTANDING PAID IN CAPITAL RETAINED EARNINGS - BEGINNING\$ 2,010,973.84 STOCK REDEEMED .00 NET INCOME OR (LOSS) 13,994.07 RETAINED EARNINGS | 5,406.50 105,723.80 2,024,947.91 | and the second of the second o |

TOTAL LIABILITIES & CAPITAL

ANGELES CHEMICAL CO., INC. STATEMENT OF INCOME UNAUDITED YEAR ENDED AFRIL 30, 1988

| | CURRENT PERIOD | z | YEAR TO DATE | % |
|--|--|-----------------------|--|---------------------|
| SALES | \$ 2,463,166.10 | 100.0 \$ | 9,442,310,77 | 100.0 |
| COST OF SALES | 1,867,534.98 | 75.8 | 7,039,884.66 | 74.6 |
| GROSS PROFIT | 595,631.12 | 24.2 | 2,402,426.11 | 25.4 |
| OFERATING EXPENSES ADMINISTRATIVE SALARIES DIRECT WAGES INDIRECT WAGES | 93,000.00 56,310.09 13,339.37 | | 174,075.00 277,885.82 106,061.98 | 1.8 2.9 |
| SALES WAGES OFFICE WAGES PLANT EXPENSE | 24,658.37 34,638.86 10,994.03 | 1.0 | 115,193.28 119,772.83 46,426.32 | 1.2 1.3 .5 |
| LAB EXPENSE TRUCK EXPENSE AUTO & TRAVEL FREIGHT-IN | 732.15 24.842.03 10,519.35 7,448.15 | .0 1.0 .4 .4 | 4,931.14 103,589.83 51,738.05 82,532.40 | .1 1.1 .5 |
| FREIGHT OUT DRUM HAINTENANCE TANK TESTING EXPENSE REFAIRS & MAINTENANCE | 3,702.00 1,650.00 | .2 | 180,898.39 89,483.55 6,600.00 | 1.9 .9 .1 |
| PRINTING PREP. EXPENSE OUTSIDE LABOR EQUIPMENT RENTAL | 9,130.66 4,397.01 27,388.51 945.29 | .4 .2 1.1 | 15,939.54 105,435.47 10,526.36 | 1.1 1.1 |
| RENT OFFICE SUPPLIES COMPUTER EXPENSE | 22,000.00 4,199.49 3,823.43 | .9 .2 .2 | 12,393.17 | 1.3 |
| PROFESSIONAL SERVICES TAXES % LICENSES PAYROLL TAXES RUSINESS PROMOTION | 8,684.84 3,967.16 19,513.75 10,751.72 | .4 .2 .8 | 40,862,10 15,950,10 60,875,91 35,576,42 | • 4 • 5: • 6) |
| ADVERTISING COMMISSIONS FOSTAGE | 2,664.36 74,974.48 1,372.23 | .1 3.0 .1 | 18,346,79 75,146,01 3,870,49 | . E |
| COMMISSIONS-BORTZ DIRECTORS FEES DONATIONS CASUALTY INSURANCE | 27,521,50 2,250.00 .00 25,577.38 | .1 | 125,073.41 9,000.00 529.44 89,354.38 | 1.3 .1 .C |
| WORKMENS COMP. INSURANCE GROUP INSURANCE DUES & SUBSCRIPTIONS | 2,836.25 20,256.24 1,042.31 | .1 .8 .0 | 25,514,21 73,853,82 3,784,38 | |

ANGELES CHEMICAL CO., INC. STATEMENT OF INCOME UNAUDITED YEAR ENDED APRIL 30, 1988

| · | CURRENT PERIOD | % | YEAR TO DATE | ; z . |
|--------------------------------------|-------------------|----------|------------------------------------|-----------------|
| OPERATING EXPENSES-(CONT'D) | | | | |
| UTILITIES | \$ 4,331.44 | . 2 | \$ 17,792,63 | .2 |
| TELEPHONE | 7,767.84 | . 3 | \$ 17,792.63 30,001.77 | - 3 |
| DEFRECIATION | | 2.3 | 193,776.60 | 2.1 |
| EMPLOYEE WELFARE | 2,050,64 | . 1 | 7,959.78 | . 1 |
| UNIFORM EXPENSE | 1,053.71 | . 5 | 5,398.29 | 1 |
| BAD DEBTS | 2,281,20 | . 1 | | |
| PROFIT SHARING EXPENSE | 6,495.19 | • 3 | 6,495.19 | .1 |
| TOTAL OFERATING EXPENSES | 676,224.78 | | 2,497,454.90 | 26.4 |
| OPERATING INCOME OR (LOSS) | (80,593.66) | (3.3) | (95,028.79) | (1.0: |
| | | *** | | |
| OTHER INCOME | | | | |
| | | | 6,937.20 | |
| DEMURRAGE | 712+50 | 0 | 5,387.16 | - 1 |
| SALE OF ASSETS | 65,780.31 | 2.7 | 64,850.75 5,266.49 33,258.32 | .7 |
| INTEREST INCOME | 1,232,99 | • 1 | 5,266.49 | . 1 |
| DIVIDEND INCOME | 7,043,40 | • 4 | 33,258.32 | 4 |
| MISCELLANEOUS INCOME | 3.589.43 | 1 | 73,418,93 | .8 |
| | 81,642.41 | 3.3 | 189,118.85 | 2.0 |
| OTHER EXPENSE | | *** | | , |
| OTHER EXPENSE | 3,697.03 | _ | | |
| | 31697.03 | • 2 | | |
| CONSULTANT EXPENSE | 14,375.01 | .6 | | ٠6 |
| LOSS ON SALE OF ASSETS | 46,959:40 | 1,9 | 46,959,40 | .5 |
| | 65,031.44 | 2.6 | | 1.3 |
| | | | | |
| NÈT INCOME OR (LOSS) BEFORE TAXES | (63,982.69) | (2.6) | (29,093.93) | (.3 |
| FROVISION FOR TAXES | 51,647.00 | 2.1 | 43,088.00 | ණ |
| | | | | |
| NET INCOME OR (LOSS) | \$(12,335,69) | (.5) | \$ 13,994.07 | .1. |
| 1,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | | | | |

ANGELES CHEMICAL CO., INC. STATEMENT OF CHANGES IN FINANCIAL POSITION UNAUDITED YEAR ENDED APRIL 30, 1988

| | CURRENT PERIOD | YEAR TO DATE |
|---|---|--|
| SOURCE OF FUNDS | | |
| NET INCOME | \$(12,335,69) | \$ 13,994.07 |
| ITEMS NOT REQUIRING | | |
| WORKING CAPITAL: | 90,579,13 | 418,642.68 |
| DEPRECIATION | 7073/7113 | 4157042+66 |
| OTHER SOURCES | 00 | 100.00 |
| DRUM DEPOSITS SALE OF ASSETS | •00 4-450-41 | 100.00 1,466.22 |
| INCREASE IN LONG-TERM DEBT | 4,650.61 | (1,594.12) |
| INCUENCE IN FONO TENT DEL | | ~~~~~~~ |
| TOTAL SOURCE OF FUNDS | 82,894.05 | 432,608.85 |
| | | |
| APPLICATION OF FUNDS | . nom /# | |
| | 1,992.65 | 61,142.62 |
| PURCHASE OF ASSETS | 34,289.80 9,580.00 | 310,222.14 9,629.50 |
| INCREASE IN DEPOSITS | 71380.00 | 7,827,30 |
| TOTAL ABOUTCATION OF FUNDS | 45,862,45 | 380,994.26 |
| TOTAL APPLICATION OF FUNDS | 101002+10 | 3007774.20 |
| INCREASE OR (DECREASE) | | |
| IN WORKING CAPITAL | \$ 37,031.60 | \$ 51,614.59 |
| • | ======================================= | 442222 |
| CHANGES IN WORKING CAPITAL- INCREASE OR (DECREASE) | | |
| CASH | \$(283,048,86) | \$ 40,359.77 |
| ACCOUNTS RECEIVABLE | 239,375.29 | (99,297.55) |
| EMPLOYEE ADVANCES | 1,343.51 108,403.58 | 2,032.01 |
| INVENTORIES | 108,403.58 | 2,032,01 (21,445,47) (24,727,13) |
| PREPAID EXPENSES | 2,651.15 | (201121110) |
| ACCOUNTS PAYABLE | (117,796,56) | |
| ACCRUED PAYROLL | (17,304.61) | 12,284.15 |
| ACCRUED EXPENSES | (5,836,28) | (15,523.98) |
| PAYROLL & SALES TAX PAYABLE | (36,916,92) 8,559,00 | (34,746.50) .00 |
| INCOME TAXES PAYABLE | 95,922.00 | 45,867.00 |
| DRUM DEPOSITS CUSTOMER DEPOSITS | •00 | 10,118.00 |
| EMPLOYEE BENEFIT & WELFARE | (98.11) | (960.15) |
| LOANS PAYABLE | 48,126,77 | 110,640,42 |
| NOTES PAYABLE | •00 | (9,564.72) |
| ACCRUED PROFIT SHARING | (6,348,36) | .00 |
| INCREASE OR (DECREASE) | | |
| IN WORKING CAPITAL | \$ 37,031.60 | \$ 51,614,59 |
| | 3======== | |

SEE ACCOUNTANTS COMPILATION REPORT

APPENDIX II

QUALIFICATIONS OF MENKE & ASSOCIATES, INC. APPRAISAL SERVICES STAFF

Eric M. Bramstedt

Eric Bramstedt has nearly 25 years experience in the field of financial analysis, equity evaluations, securities analysis and investment banking. He has prepared well over 100 business valuations on closely held companies for merger and acquisition, gift and estate taxes, Employee Stock Ownership Plans (ESOPs), incentive stock option plans and others. These valuations covered a broad industry scope of closely held and public companies including several Fortune 1000 listings. Mr. Bramstedt possesses in-depth knowledge of ESOP functions and valuations through seven years of extensive experience with two leading ESOP design and valuation firms -- Kelso & Co. and Houlihan, Lokey, Howard & Zukin.

Mr. Bramstedt holds a bachelors degree in Economics from Stanford University and is a Chartered Financial Analyst (CFA). His professional affiliations include membership in the Security Analysts of San Francisco, the Financial Analysts Federation, and the Valuation Roundtable of San Francisco.

Bryant J. Brooks

Bryant J. Brooks has an extensive background in corporate finance, venture capital, investment banking, and mergers and acquisitions. Mr. Brooks was President of Bay Equities, a venture capital firm, from 1972 to 1974. From 1968 to 1972, Mr. Brooks was President of Boothe Computer Investment Corporation, also a venture capital firm. Prior to that, Mr. Brooks was Vice President and Treasurer of Continental Capital Corporation, a publicly held Small Business Investment Company.

Since 1975, Mr. Brooks has prepared evaluation reports for a wide range of small and large companies. The clients represent a variety of manufacturing, distribution and service organizations — including a number of high-technology companies.

During 1982, Mr. Brooks served for nine months as pre-term President of a publicly held savings and loan holding company.

Mr. Brooks also teaches graduate level finance courses at Golden Gate University in San Francisco.

Mr. Brooks was graduated Phi Beta Kappa from Yale University in 1950, receiving a B.A. degree in Economics. He received an M.B.A., with Distinction, from Harvard University in 1955.

Raymond G. Hogue

Raymond G. Hogue is an experienced financial analyst who has been a member of the business valuation staff of Menke & Associates since 1982. Mr. Hogue has a broad background in the analysis and valuation of various sizes and types of businesses. Prior to joining Menke & Associates, Inc., he served as the accounting and financial manager for a contract software development company.

Mr. Hogue graduated with honors from San Jose State University, receiving a B.S. degree in finance. In addition, he was chosen as the outstanding graduate of the San Jose State University School of Business.

Robert M. Ireland

Robert M. Ireland has an extensive background in securities valuation, corporate finance and venture capital. Prior to joining Menke & Associates, Mr. Ireland was a Vice President and General Partner of Kelso & Company, Inc., an investment banking firm which specializes in Employee Stock Ownership Plan (ESOP) financing techniques. Mr. Ireland is an experienced professional in securities valuation, in the financial design of Employee Stock Ownership Plans (ESOPs), and in the planning, design, structuring and implementation of leveraged buyouts.

Prior to his association with Menke & Associates and Kelso & Company, Mr. Ireland was a consultant to Transamerica Corporation and Memorex Corporation in the areas of corporate finance and capital markets during their computer industry antitrust litigation. From 1970 to 1974, Mr. Ireland was a Security Analyst at BA Investment Management Corporation, a subsidiary of Bank of America NT&SA. He is a member of the Financial Analysts Federation, the Security Analysts of San Francisco, and the American Management Association.

Mr. Ireland graduated from Stanford University with an A.B. in Economics in 1965. He received his M.B.A. in Finance from the University of California at Los Angeles in 1967, followed by two years of service in the U.S. Army as a Contracting Officer at the U.S. Army Electronics Command in Ft. Monmouth, New Jersey, and the Republic of Vietnam.

Everett A. Mathews

Everett A. Mathews graduated from the University of California, Berkeley, with a B.S. degree in Finance. Prior to 1971 he was employed as a commercial loan officer by Security Pacific National Bank in their San Francisco Main Office with responsibility for lending to businesses. Since 1971 he has specialized in financial analysis and the valuation of closely held businesses.

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ANGELES CHEMICAL CO., INC.

APRIL 30, 1988

* * *

ARCHER, BULMANN & CO.

ARCHER, BULMAHN & CO. CERTIFIED PUBLIC ACCOUNTANTS

626 SOUTH LAKE AVENUE - PASADENA, CALIFORNIA 9/106

To the Board of Directors Angeles Chemical Co., Inc.

We have compiled the accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1988 and the related statements of income and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or performed a review service on the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position and results of operation, and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about such matters.

CERTIFIED PUBLIC ACCOUNTANTS

July 14, 1988

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ANGELES CHEMICAL CO., INC. BALANCE SHEET UNAUDITED APRIL 30, 1988

ASSETS

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TOTAL ASSETS

| ALLOW. FOR DOUBTFUL ACCTS. | i,211,445.84 (21,940.85) | \$ 400.00 (4.596.95) 9.176.47 5.353.75 233,174.28 | |
|---|--|---|--------------|
| NET RECEIVABLES ACCTS. REC STALLION | | 1,189,504,99 23,614,51 | |
| ACCTS. REC OTHER | | 8,968.34 | |
| EMPLOYEE ADVANCES INVENTORY - CHEMICALS | | 2,318,51 389,781,24 | |
| INVENTORY - PACKAGING | | 90,550.31 | |
| INVENTORY - PKGBORTZ | | 287,505,31 | |
| INVENTORY - GASOLINE - | | 7,027.04 | |
| PREPAID INCOME TAX | | 55,888.00 | • |
| PREPAID INTEREST | | 2,754.82 | |
| PREPAID PROPERTY TAXES PREPAID TANK TESTING | | 2,027.63 | |
| PREPAID INSURANCE | | (1,753,40) 83,023,80 | |
| PREFAID AUTO LEASE | | 775.00 | |
| PREPAID CONSULTANTS FEES | | 10,633.32 | |
| PREPAID PACKAGING | | 25,570,28 | |
| PREPAID EXCISE TAX - FUEL | | 1,002.76 | |
| TOTAL CURRENT ASSETS | | * | 2,420,700.0i |
| FIXED ASSETS - AT COST OFFICE TRAILER TRUCKS & AUTOS TANKS & PLANT EQUIPMENT FURNITURE & FIXTURES CONSTRUCTION IN PROCESS PLANT DRUMS | 97,811.43 187,733.15 737,213.55 200,635.00 15,685.78 326,158.88 158,595,50 | | |
| TOTAL FIXED ASSETS | | 1,723,833.29 | · |
| LESS: ACCUMULATED DEPRECIATION | | (1,101,072.96) | |
| NET FIXED ASSETS | | | 760.33 و622 |
| OTHER ASSETS | | | |
| DEPOSITS | | 4,823.00 | |
| DEPOSITS - PALLETS | | 489.50 | |
| DEPŌSITS - DRUMS | | 12,160.75 | |
| TOTAL OTHER ASSETS | • | | 17,473.25 |
| | | | |

SEE ACCOUNTANTS COMPILATION REPORT

\$ 3,060,933.59

ANGELES CHEMICAL CD., INC. BALANCE SHEET UNAUDITED APRIL 30, 1988

LIABILITIES AND CAPITAL

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| , | TOTAL LIABILITIES & CAPITAL | | | \$ 3,060,933.59 |
|------------|--|--------------------------------|-------------------------------------|-----------------|
| i | TOTAL CAPITAL | | | 2,136,098,21 |
| | RETAINED EARNINGS | | 2,024,967,91 | |
| . \$ | RETAINED EARNINGS - BEGINNING\$ 2: STOCK REDEEMED | 010,973.84 000 13,994.07 | 1037723:60 | |
| . . | CAPITAL CAPITAL STOCK - \$.10 PAR VALUE: 1,000,000 SHS. AUTHORIZED; 54,065 SHS. ISSUED & OUTSTANDING PAID IN CAPITAL | 3 | 5,406.50 105,723.80 | |
| | TOTAL LONG TERM LIABILITIES | | | 13,151.49 |
| J: | LONG TERM LIABILITIES NOTE PAYABLE | | 13,151.49 | • |
| | TOTAL CURRENT LIABILITIES | | | \$ 911,683.89 |
| | NOTE PAYABLE - BORTZ OIL NOTES PAYABLE ACCRUED PROFIT SHARING | | 82-648-02 9-564-72 -00 | |
| | INCOME TAXES PAYABLE DRUM DEPOSITS EMPLOYEE BENEFIT & WELFARE | | .00 142,103.00 1,701.53 | |
| ·} | ACCRUEN COMMISSIONS ACCRUEN WORKMANS COMP. INSURANCE PAYROLL TAXES PAYABLE SALES TAX PAYABLE | | 25,977.53 15,523.98 41,885.79 | |
| | CURRENT LIABILITIES ACCOUNTS PAYABLE ACCRUED PAYROLL | | \$ 570,396.27 21,883.05 | |

ANGELES CHEMICAL CO., INC. STATEMENT OF INCOME UNAUDITED YEAR ENDED APRIL 30, 1988

| | CURRENT PERIOD | z | YEAR TO DATE | 2 |
|---|---------------------|----------|--------------------------|------------|
| | | | | 77 |
| SALES | \$ 2,463,166.10 | 100.0 | 9,442,310.77 | 100.0 |
| COST OF SALES | 1,867,534,98 | 75.8 | 7,039,884.66 | 74.6 |
| GROSS PROFIT | 595,631,12 | 24.2 | 2,402,426.11 | 25.4 |
| OPERATING EXPENSES | | | | |
| ADMINISTRATIVE SALARIES | 93,000.00 | 3.8 | 474.A7E AA | |
| DIRECT WAGES | 56,310.09 | | 174,075.00 277,885.82 | 1.8 |
| INDIRECT WAGES | 13,339.37 | 45 | 106,061.98 | 2.9 1.1 |
| SALES WAGES | 24,658,37 | | 115,193.28 | 1.2 |
| OFFICE WAGES . | 34,638.86 | 1.4 | 119,772.83 | 1.3 |
| PLANT EXPENSE | 10,994.03 | 4 | 46,426.32 | 5 |
| LAB EXPENSE | 932.15 | •0 | 4,931.14 | ,1 |
| TRUCK EXPENSE | 24,842.03 | 1.0 | 103,589.83 | 1.1 |
| AUTO & TRAVEL | 10,519.35 | .4 | 51,738. 05 | .5 |
| FREIGHT-IN | 9+448-15 | •4 | 82,532.40 | ٠۶ |
| FREIGHT OUT | 37,203.70 | 1.5 | 180,898.39 | 1.7 |
| DRUM MAINTENANCE TANK TESTING EXPENSE | 3,702,00 | +2 | 89,483.55 | • 9 |
| REPAIRS & MAINTENANCE | 1,450.00 | •1 | 6,600.00 | . 1 |
| PRINTING PREP. EXPENSE | 9+130-66 | + 4 | 28,950.00 | . 3 |
| OUTSIDE LABOR | 4,397.01 | .2 | 15,939.54 | . 2 |
| EQUIPMENT RENTAL | 27,388.51 | 1.1 | 105,435.47 | 1.1 |
| RENT | 945.29 22,000.00 | •0 | 10,526.56 | . +1 |
| OFFICE SUPPLIES | 4,199.49 | •9 •2 | 121,000.00 | 1.3 |
| COMPUTER EXPENSE | 3,823,43 | •2 | 11,086.23 12,393.17 | +1 |
| PROFESSIONAL SERVICES | 8,684.84 | .4 | 40.862.10 | •1 |
| TAXES & LICENSES | 3,967.16 | .2 | 15,950.10 | .4 .2 |
| PAYROLL TAXES | 19,513,75 | •8 | 40,875.91 | •6 |
| BUSINESS PROMOTION | 10,751.72 | .4 | 35,576.42 | .4 |
| ADVERTISING | 2,664.36 | . 1 | 18,346.79 | .2 |
| COMMISSIONS | 74,974.48 | 3.0 | 75,146,01 | 18 |
| POSTAGE | 1,372,23 | .1 | 3,870,49 | .0 |
| COMMISSIONS-BORTZ | 27,521,50 | 1.1 | 125,073,41 | 1.3 |
| DIRECTORS FEES | 2,250.00 | •1 | 9,000.00 | .1 |
| DONATIONS CASUALTY INCUDANCE | 00 | .0 | 529.44 | .0 |
| CASUALTY INSURANCE | 25,577.38 | 1.0 | 89,354.38 | ٠9 |
| WORKMENS COMP. INSURANCE GROUP INSURANCE | 2,834,25 | | 25,514,21 | •3 |
| DUES & SUBSCRIPTIONS | 20,256,24 | • B | 73,853.82 | •8 |
| DOES & GODGOUTLITHE | 1,042.31 | +0 | 3,784,38 | .0 |

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2.5

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ANGELES CHEMICAL CO., INC. STATEMENT OF INCOME UNAUDITED YEAR ENDED APRIL 30, 1988

| | CURRENT PERIOD | z | YEAR TO DATE | z |
|--------------------------------------|-------------------|-----------|-------------------------------|------------|
| OPERATING EXPENSES-(CONT'D) | | | | |
| UTILITIES | \$ 4,331.44 | .2 | \$ 17,792.63 | .2 |
| TELEPHONE | 7+767+84 | .3 | 30,001.77 | .3 |
| DEPRECIATION | 57.710.05 | 2.3 | 193,776,60 | 2.1 |
| EMPLOYEE WELFARE | 2.050.64 | . 1 | 7,959,78 | 1. |
| UNIFORM EXPENSE | 1,053.71 | .0 | 5,398.29 | . 1 |
| BAD DERTS | 2,281.20 | • 1 | (6,226.38) | (.1 |
| PROFIT SHARING EXPENSE | 6+495.19 | .3 | 6,495.19 | - 1 |
| TOTAL OPERATING EXPENSES | 676,224.78 | 27.5 | 2:497:454.90 | 26.4 |
| OPERATING INCOME OR (LOSS) | (80,593.66) | (3.3) | (95,028,79) | (1.0 |
| OTHER INCOME | | | ض سه مد خا که که انتا شایک کا | |
| DISCOUNTS EARNED | 1,283,78 | .1 | 4-077 DA | |
| DEMURRAGE | 712.50 | | 6,937.20 5,387.16 | • 1 • 1 |
| SALE OF ASSETS | 65,780.31 | 2.7 | 64,850,75 | • 7 |
| INTEREST INCOME | 1,232,99 | 4.1 | 5,266,49 | .1 |
| DIVIDEND INCOME | 9,043,40 | .4 | 33,258,32 | :4 |
| MISCELLANEOUS INCOME | 3,569.43 | - 11 | 73,418.93 | .8 |
| | 81,642.41 | 3.3 | 189,118.85 | 2.0 |
| OTHER EXPENSE | | | | ******** |
| INTEREST EXPENSE | 3,697.03 | ,2 | 18:724.59 | _ |
| CONSULTANT EXPENSE | 14,375.01 | | 57,500,00 | •2 |
| LOSS ON SALE OF ASSETS | 46,959.40 | .6 1.9 | 46,959,40 | .6 .5 |
| TODO ON DALL DI MODEID | 70//J/+70 | 1 + 7 | 707737470 | |
| | 65,031.44 | 2.6 | 123,183,99 | 1.3 |
| NET THEORE OF (LOCG) | - | | | |
| NET INCOME OR (LOSS) BEFORE TAXES | (63,982.69) | (2.6) | (29,093,93) | (.3 |
| PROVISION FOR TAXES | 51,647,00 | 2.1 | 43,088.00 | .5 |
| | | | | |
| NET INCOME OR (LOSS) | \$(12,335,69) | (.5) | \$ 13,994.07 | .1 |

4,3

ANGELES CHEMICAL CO., INC. STATEMENT OF CHANGES IN FINANCIAL POSITION UNAUDITED YEAR ENDED APRIL 30, 1988

| | CURRENT PERIOD | YEAR TO DATE |
|-----------------------------|--------------------------------|-----------------|
| SOURCE OF FUNDS | | |
| NET INCOME | \$(12,335.69) | \$ 13,994.07 |
| ITEMS NOT REQUIRING | | |
| WORKING CAPITAL: | | |
| DEPRECIATION | 90,579.13 | 418,642.68 |
| OTHER SOURCES | | |
| DRUM DEPOSITS | .00 | 100.00 |
| SALE OF ASSETS | .00 4,650,61 | 1,466.22 |
| INCREASE IN LONG-TERM DEBT | •00 | (1,594,12) |
| | | |
| TOTAL SOURCE OF FUNDS | 82,894.05 | 432,608.85 |
| | | |
| APPLICATION OF FUNDS | | • |
| DECREASE IN LONG-TERM DEBT | 1,992.65 | 61,142.62 |
| PURCHASE OF ASSETS | 34,289,80 | 310,222.14 |
| INCREASE IN DEPOSITS | 9,580.00 | 9,629.50 |
| • | | |
| TOTAL APPLICATION OF FUNDS | 45,862.45 | 380,994.26 |
| | | |
| INCREASE OR (DECREASE) | | |
| IN WORKING CAPITAL | \$ 37,031,60 | \$ 51,614.59 |
| | 三字音等等等的位 数 | |
| CHANGES IN WORKING CAPITAL- | | |
| INCREASE OR (DECREASE) | | |
| CASH | \$ (283,048.86) | 4 40,359,77 |
| ACCOUNTS RECEIVABLE | 239+375-29 | (99+297-55) |
| EMPLOYEE ADVANCES (| 1,343.51 | 2,032.01 |
| INVENTORIES | 108,403.58 | (21,445,47) |
| PREPAID EXPENSES | 2,651.15 | (26,727.13) |
| ACCOUNTS PAYABLE | (117,796,56) | 38,578,74 |
| ACCRUED PAYROLL | (17,304.61) | 12,284,15 |
| ACCRUED EXPENSES | (5,836.28) | (15,523.98) |
| PAYROLL & SALES TAX FAYABLE | (36,916,92) | (34,746,50) |
| INCOME TAXES PAYABLE | 8,559.00 | .00 |
| DRUM DEPOSITS | 95,922,00 | 45,867.00 |
| CUSTOMER DEPOSITS | ° •00 | 10,118.00 |
| EMPLOYEE BENEFIT & WELFARE | (98.11) | (960.15) |
| LOANS PAYABLE | 48,126.77 | 110,640.42 |
| NOTES PAYABLE | ÷00 | (9,564,72) |
| ACCRUED PROFIT SHARING | (6,348.36) | |
| INCREASE DR (DECREASE) | | |
| IN WORKING CAPITAL | \$ 37,031.60 | \$ 51,614.59 |
| | #CE#### | |

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|---|--|--|--|--|
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Sansome Street Appraisers, Inc.

Mendhum, New Jersey

114 Sansome Street, Suite 808 San Francisco, Californiu 94104=3818 (415) 362-9900 Fax (415) 362-6492

October 29, 1999

PERSONAL AND CONFIDENTIAL

Mr. John Locke Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Dear John:

Enclosed are two copies of the Anchem ESOP valuation study for April 30, 1999. Our invoice for \$4,700 is also enclosed.

Two copies of the report have been sent to Ted Singer.

I have also provided a copy to Bob Lentz whom I recommend undertake your fiscal 2000 ESOP update with my direct involvement in the transition year. Bob will contact you directly to provide his resume, etc.

Thank you for your help and cooperation in the preparation of this report.

Sincerely yours,

Eric M. Bramstedt

EMB:ew enclosures

Sansome Street Appraisers, Inc.

Mendham, New Jersey

114 Sansome Street, Suite 808 San Francisco, California 94104-3818 (415) 362-9900 Fax (415) 862-6492

October 29, 1999

Employee Stock Ownership Plan Administrative Committee Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Attn: Mr. John Locke

INVOICE

Professional services fees for ESOP valuation update as of April 30, 1999 and Santa Fe Springs field visit by Eric Bramstedt on August 16, 1999

\$4,700

Thank you.

EMB:ew



ANGELES CHEMICAL CO., INC.

APRIL 30, 1999 AND APRIL 30, 1998

ANGELES CHEMICAL CO., INC.

INDEX

- 1. Accountant's Review Report
- 2. Balance Sheets
- 3. Statements of Income and Retained Earnings
- 4. Statements of Cash Flow
- 5. Other Income (Expenses) Schedule 1
- 6. Balance Sheets Schedules Schedule 2
- 7. Notes to Financial Statements

SINGER, TRAYNOR & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

6055 E. Washington Bl., Suite 500 Los Angeles, CA 90040

September 2, 1999

Angeles Chemical Co., Inc. 8915 Sorensen Ave. Santa Fe Springs, CA 90670

We have reviewed the accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1999 and April 30, 1998, and the related statements of income and retained earnings and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Angeles Chemical Co., Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Singer, Traynor & Co.

Certified Public Accountants

BALANCE SHEETS April 30, 1999 and April 30, 1998

ASSETS

| | 1999 | 1998 |
|--|--------------------------|--------------------------|
| URRENT ASSETS | · | ca pan 00 |
| Cash | 32,404.42 | 67,978.02 |
| Accounts Receivable (Net of Bad Debts Allowances of | | 1,249,139.04 |
| \$5,000.00 and \$5,000.00 Respectively) - Note 2 | 1,324,015.52 | 1,067,475.25 |
| Inventories (Lower of Cost, FIFO or Market) - Note 1 | 863,032.82 6,859.28 | 11,029.28 |
| Due from Stallion Tank Lines, Inc. | 12,500.00 | 12,500.00 |
| Due from Samson Chemical Co. | 36,686.00 | 9,198.00 |
| Propaid Income Taxes -* Miscellaneous Receivable | 4,029.07 | 2,983.00 |
| Employee Advances | 9,455.85 | 15,570.38 |
| Deferred Charges - Schedule 2 | 145,909.80 | 132,524.31 |
| TOTAL CURRENT ASSETS | 2,434,892.76 | 2,568,397.28 |
| TOTAL CORRENT ASSETS | 2,4,04,052.70 | |
| INVESTMENTS - MARKETABLE SECURITIES | 820,191.74 | 498,612.56 |
| FIXED ASSETS (at Cost) - Note 1 | £48,000,00 | £49 000 00 |
| Land | 648,000.00 | 648,000.00 101,711.00 |
| Office Trailers | 101,711.00 | 223,478.00 |
| Trucks & Autos | 232,386.00 | 863,636.00 |
| Tanks & Plant Equipment | 868,982.00 275,092.00 | 273,616.00 |
| Furniture & Fixtures | 385,606.00 | 368,582.00 |
| Plant | 589,779.37 | - |
| Construction in Progress | 3,101,556.37 | 2,479,023.00 |
| TOTAL | 1,704,074.00 | 1,656,435.00 |
| **ss: Accumulated Depreciation | 1,397,482.37 | 822,588.00 |
| BOOK VALUE | 1,397,462.37 | 024,500.00 |
| OTHER ASSETS | 15.000.00 | 5,000,00 |
| Deposits | 4,667,566.87 | 3,894,597.84 |
| TOTAL ASSETS | 4,007.300.87 | 3,074,077,04 |
| LIABILITIES AND SHAREHOLD | ERS' EQUITY | |
| CURRENT LIABILITIES | | |
| Accounts Payable | 1,723,048.36 | 1,409,512,94 |
| Accrued Liabilities - Schedule 2 | 189,711.95 | 147,845.76 |
| Note Payable - Other | 88.678.55 | 80.804.49 |
| Drum Deposits | 15,000.00 | 5,000.00 |
| Note Payable - Comerica Bank | 600,000.00 | |
| Term Debt - Current - Schedule 2 | 64.192.99 | 61,242.90 |
| TOTAL CURRENT LIABILITIES | 2,680.631.85 | 1.704.406.09 |
| TERM DEBT_Schedule 2 | 501.807.25 | <u>566.000.24</u> |
| SHAREHOLDERS' EOUITY | | |
| Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; | | |
| 30,166 & 30,166 Shares Issued & Outstanding Respectively | 3,016.60 | 3,016.60 |
| Retained Earning | 1,482,111.17 | 1.621,174.91 |
| TOTAL SHAREHOLDERS' EQUITY | 1,485,127.77 | 1.624.191.51 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | 4.667,566.87 | 3.894,597.84 |
| | | |

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1999 and April 30,1998

| | 1999 | % | <u>1998</u> | % |
|--|--------------------------|----------|---------------|--------------|
| DATES | 11,091,213.90 | 100.00 | 11,260,539.56 | 100.00 |
| SALES LESS: COST OF SALES | 7,584,061.66 | 68.38 | 8,060,860.93 | 71.59 |
| · · · · · · · · · · · · · · · · · · · | 3,507,152.24 | 31.62 | 3,199,678.63 | 28.41 |
| GROSS PROFIT | J,J07,,4,J2124 | <u></u> | -, | |
| <u>"</u> | | | | |
| OPERATING EXPENSES | 280 180 11 | 6.13 | 709,634.02 | 6.30 |
| Salaries & Wages | 680,180.11 | 0.15 | 24,540.79 | 0.22 |
| Compensation Insurance | 17,311.24 | 5.65 | 319.537.04 | 2.84 |
| Outside Labor | 626,476.75 | 2.39 | 265,108.78 | 2.35 |
| Insurance | 265,309.16 131,027.53 | 1.18 | 114,409.33 | 1.02 |
| Truck Expenses | | 3.65 | 379,299.35 | 3,37 |
| Freight | 404,507.32 398,910.17 | 3.60 | 340,659.92 | 3,03 |
| Commissions | 99,006.00 | 0.89 | 90,976.00 | 0.81 |
| Rent | 165,711.61 | 1.49 | 127,318.55 | 1.13 |
| Repairs & Maintenance | 114,899.48 | 1.04 | 44,809,65 | 0.40 |
| Plant Expense | 292.64 | 0.00 | 254.49 | 0.00 |
| Tank Testing & Lah Expense | 45,176.85 | 0.41 | 33,984.50 | 0.30 |
| Auto & Travel | 2,826.27 | 0.03 | 14,562.98 | 0.13 |
| Bad Debts | 3,436.20 | 0.03 | (212.57) | (0.00) |
| Bank Charge | 50.584.73 | 0.46 | 52,094.53 | 0.46 |
| Telephone & Utilities | 47,639.00 | 0.43 | 43,725.00 | 0.39 |
| Depreciation | 57,809.07 | 0.52 | 61,781.10 | 0.55 |
| Payroli Taxes | 135,175,23 | 1.22 | 119,344.26 | 1.06 |
| ofessional Services | 46,691.91 | 0.42 | 49,568.57 | 0.44 |
| axes & Licenses | 30,016.36 | 0.27 | 30,412.68 | 0.27 |
| Business Promotion | 44,697.54 | 0.40 | 28,901.85 | 0.26 |
| Office Supplies | 38,786.01 | 0.35 | 35,637.67 | 0.32 |
| Computer Expense | 17,073.57 | 0.15 | 19,382,48 | 0.17 |
| Advertising | 58,978.91 | 0.53 | 29,360.00 | 0.26 |
| Profit Sharing Expense | 8,751.74 | 0.08 | 9,342,15 | 80.0 |
| Employee Welfarc | 10,835.12 | 0.10 | 9,763.56 | 0.09 |
| Dues & Subscriptions | 40,985.18 | 0.37 | 33,492.50 | 0.30 |
| Equipment Rental | 5,002.32 | 0.05 | 9,355.87 | 80.0 |
| Seminars & Meetings | 5,002.52 | 0.00 | 10,789.05 | 0.10 |
| Penalties | 1,225.00 | 0.01 | 750.00 | 0.01 |
| Donations | 3,549.323.02 | 32.00 | 3,008,584.10 | 26.72 |
| TOTAL OPERATING EXPENSE | | | | |
| OPERATING (LOSS) INCOME | (42.170.78) | (0.38) | 191,094.53 | 1.70 |
| OTHER INCOME (EXPENSES) - Schedule I | (121,578.96) | (1.10) | (148,579,13) | (1.32) |
| (LOSS) INCOME BEFORE INCOME TAXES | (163.749.74) | (1.48) | 42,515.40 | 0.38 |
| Provision for Income Taxes (Reduction) | (24.686.00) | (0.22) | 11.527.00 | 0 .10 |
| NET (LOSS) INCOME TO RETAINED EARNINGS | (139.063.74) | (1.25) | 30,988.40 | 0.28 |
| RETAINED EARNINGS - BEGINNING | 1,621.174.91 | | 1.590.186.51 | |
| · | 1,482,111.17 | | 1,621,174,91 | |
| RETAINED EARNINGS - ENDING | 1,402411111 | | 1400211144 | |

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1999 and April 30, 1998

| | <u>1999</u> | <u>1998</u> |
|--|-------------------|--------------|
| OPERATING ACTIVITIES | | |
| Net (Loss) Income | (139,063,74) | 30,988.40 |
| Adjustments to Reconcile Net to Net Cash | (, | • |
| Provided by:Operating Activities: | | |
| Depreciation | 47,639.00 | 43,725.00 |
| CASH (USED) PROVIDED BY OPERATIONS | (91,424.74) | 74,713.40 |
| CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES: | | |
| (Increase) Decrease in Accounts Receivable | (74,876.48) | 231,479.57 |
| Decrease in Inventories | 204,442.43 | 54,379.50 |
| (Increase) in Deferred Charges | (13,385.49) | (21,653.92) |
| Decrease (Increase) in Other Current Assets | (18,249.54) | (17,577.89) |
| (Increase) Decrease in Other Assets | (10,000.00) | 1,080.00 |
| Increase in Accounts Payable | 313,535.42 | 52,467.22 |
| Increase (Decrease) in Accrued Liabilities | 41.866.19 | (23,326.55) |
| Increase (Decrease) in Accident Engineers Increase (Decrease) in Customer Deposits | 10,000.00 | (2,000.00) |
| (Decrease) in Income Tax Payable | [0,000.00 | (5,983.00) |
| | 452 222 52 | |
| NET CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES | 453,332.53 | 268,864.93 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 361,907.79 | 343,578.33 |
| INVESTING ACTIVITIES | | |
| Marketable Securities | (321,579.18) | (498,612.56) |
| onstruction in Progress | (589,779.37) | • |
| Purchase of Property, Plant & Equipment | (32,754.00) | (44,848,00) |
| NET CASH (USED) BY INVESTING ACTIVITIES | (944.112.55) | (543,460.56) |
| | | |
| FINANCING ACTIVITIES | | (CA A41 CT) |
| Increase (Decrease) in Notes Payable | <u>546,631.16</u> | (50,241.67) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | 546,631.16 | (50,241.67) |
| (DECREASE) IN CASH AND CASH EQUIVALENTS | (35.573.60) | (250,123.90) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 67,978.02 | 318.101.92 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | 32,404.42 | 67.978.02 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash Paid During the Years Ended April 30, 1999 and April 30, 1998 for: | | |
| Income Taxes | 2.795.00 | 26.863.00 |
| Interest | 57.301.15 | 46.027.74 |

OTHER INCOME (EXPENSES)

For the Years Ended April 30, 1999 and April 30, 1998

| | Schedule I | | | |
|-------------------------|--------------|----------|--------------|----------|
| | 1999 | % | 1998 | % |
| Terminaling Charges | 22,713.88 | 0.20 | 31,890.87 | 0.28 |
| Interest Income | 26,917.11 | 0.24 | 14,598.66 | 0.13 |
| Claims Expense | (622.47) | (0.01) | (59,382.27) | (0.53) |
| Contamination (Expense) | (116,186.46) | (1.05) | (98,978.27) | (0.88) |
| Casualty Loss | (5,391.81) | (0.05) | (2,984.24) | (0.03) |
| Miscellaneous Income | 8,291.94 | 0.07 | 12,303.86 | 0.11 |
| Miscellaneous Expense | - | 0.00 | • | 0.00 |
| Interest Expense | (57,301.15) | (0.52) | (46,027.74) | (0.41) |
| NET OTHER (EXPENSE) | (121,578.96) | (1.10) | (148,579.13) | (1.32) |

BALANCE SHEETS SCHEDULES

April 30, 1999 and April 30,1998

| | | | Schedule 2 |
|------------------------|------------------|-------------|---------------|
| | | 1999 | <u>1998</u> |
| DEFERRED CHARGES | | | |
| Property Taxes | | 2,021.00 | 2,068.00 |
| Insurance | | 105,222.00 | 100,058.00 |
| Lease | | 9,352.76 | 1,863.51 |
| Taxes & Licenses | | 3,657.00 | 3,718.00 |
| Sales Taxes | | 1,536.05 | • |
| Other | | 21,264.00 | 24,816.80 |
| Compensation Insurance | | 2,856.99 | |
| TOTAL | | 145,909.80 | 132,524.31 |
| ACCRUED LIABILITIES | | | |
| Commissions | | 63,586.67 | 53,172.56 |
| Compensation Insurance | | 03,00.07 | 3,237.77 |
| Sales Taxes | | • | 1,720.00 |
| Claim Expense | | _ | 25,000.00 |
| ESOP Contribution | | 61,500.00 | 29,360.00 |
| Payroll | | 14,525.28 | 20,100.43 |
| Other | | 50,100,00 | 15,255,00 |
| TOTAL | | 189.711.95 | 147.845.76 |
| | | <u>1999</u> | |
| | Current | Term | Total |
| TERM DEBT - Note 5 | | | |
| J. Locke | 12,184.86 | 150,859.41 | 163,044.27 |
| A. Rosenthal | 12,184.86 | 150,859.41 | 163,044.27 |
| N. Spieler, Trustee | 12,184.86 | 150,859.41 | 163,044.27 |
| E.S.O.P. | 21,000.00 | 42,852.00 | 63,852.00 |
| Jaguar Credit Corp. | 6.638.41 | 6.377.02 | 13,015.43 |
| TOTAL | <u>64.192.99</u> | 501.807.25 | 566.000,24 |
| | C | 1998 T | Total |
| TERM DEBT - Note 5 | <u>Current</u> | <u>Term</u> | <u> Total</u> |
| J. Locke | 11,307.09 | 163,044.27 | 174,351.36 |
| A. Rosenthal | 11,307.09 | 163,044.27 | 174,351.36 |
| N. Spieler, Trustee | 11,307.09 | 163,044.27 | 174.351.36 |
| E.S.O.P. | 21,000.00 | 63.852.00 | 84,852.00 |
| Jaguar Credit Corp. | 6.321.63 | 13.015.43 | 19.337.06 |
| TOTAL | 61.242.90 | 566.000.24 | 627.243.14 |

Angeles Chemical Co., Inc. (a C Corporation)

NOTES TO FINANCIAL STATEMENTS

April 30, 1999 and April 30, 1998

Note 1 - Summary of Significant Accounting Policies

General - The Company is a reseller/ distributor of liquid industrial and consumer product chemicals used in coating and other processes.

<u>Use of Estimates</u> - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

<u>Inventory</u> - Chemicals (raw materials and finished goods), components and drums are priced at the lower of cost (fifo) or market.

| | <u>1999</u> | <u>1998</u> |
|-------------------|-------------------|--------------|
| Finished Products | 394,598.98 | 460,944.92 |
| Raw Materials | 406,675.43 | 358,926.22 |
| Components | 251,398.32 | 237,586.11 |
| Drums | _10.000.00 | 10,018.00 |
| <u>TOTALS</u> | <u>863.032.82</u> | 1,067,475.25 |

Property. Plant and Equipment

Property, plant and equipment are depreciated on the straight line, declining balance, ACRS and MACRS methods for financial statement purposes and for tax purposes over the following useful lives:

| | <u>Life</u> |
|---------------------------|-------------|
| Machinery & Equipment | 5 - 7 Years |
| Vehicles | 5 Years |
| Office Equipment | 5 - 7 Years |
| Data Processing Equipment | 5 - 7 Years |
| Leasehold Improvements | 31.5 Years |

Angeles Chemical Co., Inc. (a C Corporation)

NOTES TO FINANCIAL STATEMENTS

April 30, 1999 and April 30, 1998

An analysis of the depreciable assets and respective accumulated depreciation is as follows:

| | • | Accumulated | Book |
|---|--|---|---|
| | Cost | Depreciation | <u>Value</u> |
| <u>1999</u> | | | |
| Land | 648,000.00 | 0.00 | 648,000.00 |
| Construction in Progress | 589,779.37 | 0.00 | 589,779.37 |
| Office Trailers | 101,711.00 | 98,157.00 | 3,554.00 |
| Trucks and Autos | 232,386.00 | 202,844.00 | 29,542.00 |
| Tanks and Plant Equipment | 868,982.00 | 820,281.00 | 48,701.00 |
| Furniture and Fixtures | 275,092.00 | 251,459.00 | 23,633.00 |
| Plant | 385,606.00 | 331,333.00 | 54,273.00 |
| TOTALS | 3,101,556.37 | 1.704.074.00 | 1.397,482.37 |
| | | | |
| | | Accumulated | Book |
| | Cost | Accumulated Depreciation | Book <u>Value</u> |
| 1998 | Cost | | |
| <u>1998</u> Land | Cost 648,000.00 | | |
| • | | Depreciation | <u>Value</u> |
| Land | 648,000.00 | Depreciation 0.00 | <u>Value</u> 648,000.00 |
| Land Office Trailers | 648,000.00 101,711.00 | Depreciation 0.00 97,704.00 | <u>Value</u> 648,000.00 4,007.00 |
| Land Office Trailers Trucks and Autos | 648,000.00 101,711.00 223,478.00 | Depreciation 0.00 97,704.00 187,110.00 | Value 648,000.00 4,007.00 36,368.00 |
| Land Office Trailers Trucks and Autos Tanks and Plant Equipment | 648,000.00 101,711.00 223,478.00 863,636.00 | 0.00 97,704.00 187,110.00 802,123.00 | Value 648,000.00 4,007.00 36,368.00 61,513.00 |

Depreciation for financial statement purposes amounted to \$47,639.00 and \$43,725.00 in 1999 and 1998, respectively.

Costs of maintenance and repairs, including minor betterments, are charged to income as costs are incurred.

Income Taxes

An analysis of the provision for income tax is as follows:

| | <u> 1999</u> | <u> 1998</u> |
|---------|----------------------|--------------------|
| Federal | \$(25,486.00) | \$10,273.00 |
| State | \$ 800.00 | <u>\$ 1.254.00</u> |
| TOTAL | <u>\$(24,686.00)</u> | \$11.527.00 |

Augeles Chemical Co., Inc. (a C Corporation)

NOTES TO FINANCIAL STATEMENTS

April 30, 1999 and April 30, 1998

Note 2 - Accounts Receivable - The agings of accounts receivable are as follows:

| ·* | <u> 1999</u> | <u>1998</u> |
|---------------------------------------|--------------|--------------|
| Current | 724,437.78 | 837,407.85 |
| 31-60 Days | 362,183.58 | 389,692.42 |
| 61-90 Days | 48,106.89 | 26,970.82 |
| Over 90 Days | 290,996.29 | 51,670.14 |
| Cash On Account | (96,709.02) | (51,602.19) |
| Sub-Total | 1,329,015.52 | 1,254,139.04 |
| Less: Allowance for Doubtful Accounts | (5,000.00) | (5,000.00) |
| NET ACCOUNTS RECEIVABLE | 1,324,015.52 | 1,249,139.04 |

Note 3 - Short Term Credit Arrangements

The company has a short-term credit agreement with Comerica Bank, which is secured by receivables, inventory and all other assets of the company for up to eighty percent (80%) of the net amount of eligible accounts receivable. The agreement is renewable annually. The interest rate for this agreement is 1% in addition to the bank's base rate, currently 8.5%.

Note 4 - Commitments & Contingencies

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of April 30, 1999.

Year Ending April 30,:

| 2000 | 153,652.32 |
|------------------------|------------|
| 2001 | 141,900.65 |
| 2002 | 129,457.32 |
| 2003 | 99,448.92 |
| 2004 | 94,951.92 |
| Later Years | 163,301.28 |
| TOTAL MINIMUM PAYMENTS | 782,712.41 |
| | |

Angeles Chemical Co., Inc. (a C Corporation)

NOTES TO FINANCIAL STATEMENTS

April 30, 1999 and April 30, 1998

Rent expense for financial statement purposes amounted to \$99,006.00 and \$90,976.00 in the years ended April 30, 1999 and 1998, respectively.

The Federal Government has required all single wall underground storage tanks to be either replaced with double wall tanks or shut down as of December 22, 1998. As a result during the fiscal year Angeles Chemical Co., Inc. has shut down and sealed off all underground storage tanks and is now in the process of installing above ground storage tanks at their facilities in Santa Fe Spring. The estimated cost to be incurred during the fiscal year April 30, 2000 is \$800,000.00.

Note 5 - Term Debt

The Company long term debt at April 30, 1999 and April 30, 1998 consists of the following:

| | 1999 | <u>1998</u> |
|--|-------------------------|--------------------------|
| Note Payable- John Locke, the principal shareholder. Monthly Payments of \$2,000.00, with interest at 7.50%. | | |
| Secured by deed of Trust. | 163,044.27 | 174,351.36 |
| Note Payable- Arnold Rosenthal. Monthly Payments of \$2,000.00, with interest at 7.50%. Secured by | | |
| deed of Trust. | 163,044.27 | 174,351.36 |
| Note Payable- Norman M Spieler. Monthly Payments of \$2,000.00, with interest at 7.50%. Secured by | | |
| deed of Trust. | 163,044.27 | 174,351.36 |
| Note Payable- E.S.O.P Yearly Payments of \$21,000.00, a non | | |
| interest bearing note. | 63,852.00 | 84,852.00 |
| Note Payable- Jaguar Credit Corp. Monthly Payments of \$594.03, | | |
| with interest at 4.90%. | 13,015.43 | <u>19,337.06</u> |
| TOTAL Less: Current Maturities | 566,000.24 64,192,99 | 627,243.14 _61,242.90 |
| gos. Quion maunico | | V1,272.7U |
| TERM DEBT | <u>501,807,25</u> | <u>566,000.24</u> |

Angeles Chemical Co., Inc. (a C Corporation)

NOTES TO FINANCIAL STATEMENTS

April 30, 1999 and April 30, 1998

As of April 30, 1999 the current maturities of long term debt for the five years ending April 30, were as follows:

| 2000 | 64,192.99 |
|-------------|-------------------|
| 2001 | 66,769.51 |
| 2002 | 64,302.60 |
| 2003 | 45,746.22 |
| 2004 | 49,297.53 |
| Later Years | 275,691,39 |
| | <u>566.000.24</u> |

Note 6 - Concentration of Credit Risks

i,

The Company maintains its cash in bank deposit accounts at a high quality financial institution. At times throughout the year the Company may maintain certain bank accounts in excess of the FDIC insured limits.

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

October 12, 1999

CONFIDENTIAL

Employee Stock Ownership Plan Administrative Committee Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90000

Attn: Mr. John Locke

Gentlemen:

You have requested we establish the fair markst value of the common stock of Angeles Chemical Co. for Employee Stock Ownership Plan (ESOP) purposes as of April 30, 1999.

Our evaluation places a fair market value of \$1,039,590 on the common stock of Angeles Chemical Co. as of April 30, 1999. Based on 30,166 A and B common shares outstanding, the value per share is \$34.45. This evaluation is based on an adjusted book value approach

The valuation report was prepared by Bramstedt & Associates, Inc. as a subcontractor to Sansome Street Appraisers, Inc.

Earnings prospects can change, as can the general economic climate. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

Very truly yours,

BRAMSTEDT & ASSOCIATES, INC.

Eric M. Bramstedt, CFA President

EMB:ew enclosure

2402 Vista Del Mar Lane, Tiburon, CA 94920-1208, Tel 415-435-9436, Fax 415-435-9438. 114 Sansome St., Suite 808, San Francisco, CA 94104-5818, Tel 415-362-9900, Fax 415-362-6492.

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Financial Consulting

Gusiness Valuations

Financial Analysis

Contidential

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Sansome Street Appraisers, Inc.

Mendham, New Jersey

11.4 Sansome Street, Suite 808 San Francisco, California 94104-3818 (415) 362-9900 Fax (415) 362-6492

August 31, 1999

(P)

Mr. John Locke Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

INVOICE

Out-of-pocket expenses for Eric Bramstedt's field trip to Santa Fe Springs on August 16, 1999 in connection with April 30, 1999 ESOP valuation:

| Round-trip airfare - SFO/ONT | \$259.00 |) |
|------------------------------|----------|----------|
| Hotel/meals - Whittier | 155.89 | • |
| Car rental | 58.94 | 1 |
| Parking - SFO | 24.00 | <u>)</u> |

Total Due

\$497.83

Thank you.

EMB:ew

Sansome Street Appraisers, Inc.

Mendham, New Jersey

11.4 Sansome Street, Suite 808 San Francisco, California 9.4104-3818 (415) 362-9900 Fax (415) 362-6492

August 31, 1999

Mr. John Locke Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Dear John:

Enclosed is a self-explanatory addendum to the Anchem ESOP valuation report of April 30, 1998.

I apologize for the error. However, the correct value difference is economically inconsequential and, in my opinion, no action need be taken.

Also enclosed is an invoice for my August 16th field visit to Santa Fe Springs.

I will complete the April 30, 1999 ESOP valuation study as soon as I receive the final fiscal 1999 financial statements from Mark.

Sincerely,

Eric M. Bramstedt

EMB:ew enclosures



and Associates Incorporated
Financial Consulting
Business Valuations
Financial Analysis

August 31, 1999

Mr. John Locke, Trustee Employee Stock Ownership Plan Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

<u>Subject</u>: Addendum to Angeles Chemical Co. (Anchem) ESOP Valuation Update Report of April 30, 1998, dated October 12, 1998.

Correction of Typographical Error: In the first full paragraph on page 18, Anchem's stated book value is incorrectly presented as \$1,264, 191 as of April 30, 1998. The correct book value is \$1,624,191 as presented at the top of page 18, on page 16 and elsewhere in the report.

Notation of Incorrect Mathematical Calculation: The equity fair market value calculation of \$1,215,881 or \$40.30 per share as of April 30, 1998 is represented as being 75% of the stated book value, when it is in fact 75% of Anchem's retained earnings of \$1,621,175 as of April 30, 1998. Seventy-five percent of stated book value of \$1,624,191 is \$1,218,143 or \$40.38 per share as of April 30, 1998.

We believe the corrected valuation differential of \$2,262 or \$0.08 per share or 0.2% is inconsequential and that no action is necessary for Plan valuation purposes. Please keep this addendum with the original April 30, 1998 report.

Submitted by,

BRAMSTEDT & ASSOCIATES, INC.

Ein M. Bromtell

Eric M. Bramstedt, CFA

President

EMB:ew enclosures

Concher (2) Conclusion for F. 99 · Foombo drop low of 1= 60. O. P. gratinik B.V it 4/30/99 - \$ 1,508,690-50.03 758 1131 517 -37.51 30.67 9,250,00 E-FOD

Sansome Street Appraisers, Inc.

Mendham, New Jersey

114 Sansame Street, Suite 808 San Francisco, California 94104-3818 (415) 362-9900 Faw (415) 862-6492

October 29, 1999

PERSONAL AND CONFIDENTIAL

Mr. John Locke Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Dear John:

Enclosed are two copies of the Anchem ESOP valuation study for April 30, 1999. Our invoice for \$4,700 is also enclosed.

Two copies of the report have been sent to Ted Singer.

I have also provided a copy to Bob Lentz whom I recommend undertake your fiscal 2000 ESOP update with my direct involvement in the transition year. Bob will contact you directly to provide his resume, etc.

Thank you for your help and cooperation in the preparation of this report.

Sincerely yours,

Eric M. Bramstedt

EMB:ew enclosures

and Associates incorporated

Financial Consulting

Business Valuations

\Financial Analysis

96-4650 (250 Constants)

Bast

Evaluation of the Common Stock of

ANGELES CHEMICAL CO.

as of April 30, 1998

Enferioral services fees for ESOP valuations
update to of 4/30/99 6. State Fe Springer

field with EB or 8/16/99 - \$4700

5 L - 562-945-3911 + 3094 TS - 323-726-2411 Mark 108 BSI- May Soto 310-207-8716

> Prepared by: Bramstedt & Associates, Inc. October 1998

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ANGELES CHEMICAL CO.

Exhibit C

Selected Ratio Analysis EY1996-1996

| | FY 4/30: | 1998 Ta teb. | 1997 | 1996 |
|--|----------|-----------------|---------------|-------|
| Liquidity Ratios | | 141 | • | - 1 |
| Current (Current Assets divided by Current Liabilities) | 0.9 × | 9.77 9.77 | 1.83 | 1.78 |
| Quick (Cash & Accounts Receivable divided by Current Liabilities) | 0.9% | 1997 | 1.08 | 1.00 |
| Working Capital (\$000) | 1246) | 15 5-64 | <i>[</i> 1393 | 1553 |
| Sales/Receivables (Sales divided by Accounts Receivable) | 8.4 | 9.0 | 6.0 | 6.5 |
| Sales/Working Capital (Sales divided by Working Capital) | | 12.0 | | 4.4 |
| Cost of Goods Sold/Inventories (Cost of Goods Sold divided by Inventories) | 8,8 | 7.6 | 6.0 | 4.0 |
| Coverage Ratios | | | | |
| . EBIT/Interest (Earnings before Interest & Tax divided by Interest Expense) | Nes | 0.52 | 3.1 | 8.3 |
| Cash Flow/Maturity LTD (Net Income + Depreciation Expenses divided by Note Payable and Current Debt) | Neg | 0.52 / | 1.00 | 1.06 |
| Leverage Ratios | | 1.40 | | |
| Debt/Worth (Total Liabilities divided by Wet Worth) | 2.14 | | 1.44 | 1.37 |
| Long-Term Limbilities/Worth (Limbilities over one year divided by Net Worth) | 0.34- | 2455 | 0.39 | 0.32 |
| Operating Retios | | , | | |
| Total Asset Turnover (Sales divided by Average Total Assets) | 2.1 | 2.9 | 2.4 | 8. |
| Return on Equity (Net Income divided by Average Stockholders' Equity) | No. 3 | 1.9% | 4.9% | 21.1% |
| Return on Assets (Net Income divided by Average Assets) | 100 | 0.8% | 2.0% | 9.3% |

Nog= Negotiva

SOURCE: Company statements and Bramstedt & Associates.

ANGELES CHENICAL CO.

Emparative Batance Sheet

| | 1997 | | As of 4/30: | 1000 ((e s f = f = f = f = f = f = f = f = f = f | (997 (1971) | 1996 | 1925 | 1904 |
|---|------------------------|---------------------------|---|--|---|--|--|---------------------------------------|
| | 832 1,024 855 | 0,7% 28.4 18.5 | Current Assets) F6% Cash and Liquid inventments Accounts receivable Inventories Dum from Littgation | 1249 32.1 1067 27.4 | \$\hat{h}s 316 8.2% 1481 33.0 1122 28.0 | 1 280 A.43 1055 24.2 1228 28.2 640 14.7 | \$ 79 2.5% 780 24.5 1012 31.7 | \$ 345 10.0% 1207 35.0 550 25.7 |
| | 216 | 4 6 52,2 17.6 | Dum from efficient 256 companies/other 256 Total Thusenhouses field Sec Land Other fixed Apanta at Coas | 105 4.7 49 q 66 648 /2 | 0 3065 78.7 648 1786 | 317 7.2 3320 80.7 648 1750 | 462 14-5 2553 73.2 648 1712 | 26 40 75.7 |
| W | 2453 (1704) 1397 | 29.96 | Accumulated Depreciation | (1836) 873 21.1 5 20-0- \$3894 100.0 | (3413) 821 21.1 6 0.2 ±3893 100.0 | (\$571) 547 TV.8 13 0.3 \$6560 100.0 | (1540) 023 27,5 32 1.0 \$3167 100.0 | 011 27,5 0.8 13452 100.0 |
| | 4,647 | 100.0 369 | Total Assets Current Liabilities: Accounts payable Desquits | \$1410 36.2 5 0,1 | 11357 34.9 7 0.2 | \$1535 35.2 7 0,2 | s 997 31.3 7 0.2 | - neg 4:3 |
| | 689 | 0.3 14.8 4.1 1.4 | Rent, and other notes payable Accimum experimentiabilities Current debt portion Total | \$1 2.1 147 3.9 61 1,5 1704 43.5 | 72 1.5 177 4.6 58 1.5 1672 43.0 | 330 7,6 60 1.4 35 0.8 1967 43.1 | 62 2.0 44 1.4 27 0.8 1137 35.7 | 45 4.5 106 315 411 1747 |
| | 2681 | 57.3 | Long-Term Limbilities Shareholder Equity | 1628 41.6 | 627 16.1 1593 40.9 83893 100.0 | 580 13.3 1814 41.6 \$4360 100.0 | 584 18.3 1466 40.0 \$3187 100.0 | 1955 30 0 5452 100 0 |
| , | 1485 | 31.8 100.00 | foral timbilities & Equity | *************************************** | SIGNATA TIMES | - <u></u> | | |

SOURCE: Company financial statements (unsudited),

ANTELES CHEMICAL CO.

Exhibit A G

| 1999 | FYE 4/301 | 195 | <u> </u> | 19 | | | 76 | 195 | <u> </u> | 12 | 9 4 |
|------------------|--|------------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|-------------------------|
| 7584 68.4 | Not Rains Cost of Sales Gross Profit | #11261 8061 3200 | 100.0% 71.6 28.4 | \$9739 6733 3006 | 100.0X 69.2 30.8 | 56877 4956 1922 | 100,01 72,1 27,9 | 50015 4048 1967 | 100.0k 70,5 29.7 | 56976 4784 2214 | 100.0x .68.3 31.7 |
| \$ 507 -3549 320 | Operating Expenses | 3008 | 74.7 | 2755 | 26.2 | 2153 | 31.3 | 2222 | 33.6 | 2422 | 34.7 |
| L. 16.77 (147) | *Operating Income (Lots) | 191 | 1,7 | 251 | 2,4 | (231) | (3.3) | (255) | (3.8) | (211) | (3.0) |
| 164) (0,6) | Other Income (Expense) Interest Expense | (173) 46 | (0.9) 0.6 | (99) 49 | (1.0) 0.5 | 49 49 | 0.3 1.0 | 16 51 | ă,0 | 173 16 | 2.5 |
| 11647 (1.5) | Provision for Jakes /C/-/ | 42 12 | 0.3 0,1 | 103 12 | 1.0 | 360 13 | 5.2 û.2 | (288) | (4.4) | (54) | dp.85 |
| £ (139) (1.3) | Het Income (Loss) | * <u>ā1</u> | 0.3 | \$ <u>53</u> | 0.0 | *,357 | 5.1 | 5 <u>(7770</u>) | (4,4) | <u>(54</u>) | (a)a) |

SOURCE: Company firmacial atazaments (unaudited).

BR000661

Mary E. Gates
ADMINISTRATIVE CONSULTANT



ESOP/401(k) CONSULTANTS & ADMINISTRATORS

12121 WILSHIRE BLVD., SUITE 555 + LOS ANGELES, CA 90025 (600) BSI-2001 - (310) 207-3776 - FAX (310) 207-3556 / 207-7876 E-MAIL: mgates@bsiconsultants.com



Fax Cover Sheet

| | Eric Branntalt | PHONE: | (415)362 (415)362 | | _ |
|-----|-------------------------------|--------|----------------------------------|------|-------|
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ANGELES CHEMICAL CO., INC.

APRIL 30, 1999 AND APRIL 30, 1998



ANGELES CHEMICAL CO. INC.

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- 2. Balance Sheets
- 3. Statements of Income and Retained Earnings
- 4. Statements of Cash Flow
- 5. Other Income (Expenses) Schedule 1
- 6. Balance Sheets Schedules Schedule 2
- 7. Notes to Financial Statements



SINGER, TRAYNOR & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

6055 E. Washington Bl., Suite 500 Los Angeles, CA 90040

September 2, 1999

Angeles Chemical Co., Inc. 8915 Sorensen Ave. Santa Fe Springs, CA 90670

We have reviewed the accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1999 and April 30, 1998, and the related statements of income and retained earnings and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Angeles Chemical Co., Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.



Sep-21-99 11:01 From-SingER, TRAYNOR & CO.

+3237263852

T-906 P.05/14 F-844

BALANCE SHEETS April 30, 1999 and April 30, 1998

ASSETS

| | 1000 | <u> 1998</u> |
|--|---|--------------------------------|
| CURRENT ASSETS | | |
| Cash | 32,404.42 | 67,978.02 |
| Accounts Receivable (Net of Bad Debts Allowances of | 1 554 614 46 | |
| \$5,000.00 and \$5,000.00 Respectively) - Note 2 inventories (Lower of Cost, FIFO or Market) - Note 1 | 1,324,015.52 | 1,249,139.04 |
| Due from Stallion Tank Lines, Inc. | 863,032,82 6,859,28 | 1,067,475.25 |
| Due from Samson Chemical Co. | 12,300.00 | 11,029,28 12,500.00 |
| Prepaid Income Taxes | 36,686.00 | 9,198.00 |
| Miscellaneous Receivable | 4,029.07 | 2,983.00 |
| Employee Advances | 9,455.85 | 15,570.38 |
| Deferred Charges - Schedule 2 | 145,909.80 | 132,524.31 |
| TOTAL CURRENT ASSETS | 2.434,892.76 | 2,568,397.28 |
| INVESTMENTS - MARKETABLE SECURITIES | 820,191.74 | 498.612.56 |
| FIXED ASSETS (at Cost) - Note 1 | \wedge | |
| Land | 648,000.00 | 648,000.00 |
| Office Trailers | 101 711 00 | 101,711.00 |
| Trucks & Autos | 232,386.00 | 223,478.00 |
| Tanks & Plant Equipment | 868,982,00 | 863,636.00 |
| Furniture & Fixtures | ML 275,092.00 | 273,616.00 |
| Plant CE V | 385,606.00 | 368,582.00 |
| Construction in Progress | 589,779.37 | • |
| U IOTAL V ONAL | 3,101,536.37 | 2,479,023.00 |
| Loss: Accumulated Depreciation | 1,704,074.00 | 1,656,435.00 |
| Trucks & Autos Tanks & Plant Equipment Furniture & Fixtures Plant Construction in Progress IOTAL Loss: Accumulated Depreciation BOOK YALUE OTHER ASSETS Deposits | 1,397,482.37 | 822,588.00 |
| / kū. | | |
| OTHER ASSETS OATE | | |
| Deposits | 15,000.00 | 5.000.00 |
| TOTAL ASSETS | 4,667,566.87 | 3,894,597.84 |
| LIABILITIES AND SHAREHOLE | JEDO: DALIITY | |
| MADILI IIIS ANI/ SII ANE III SI | ZENS ECOLII | |
| CURRENT LIABILITIES | | |
| Accounts Payable | 1,723,048.36 | 1,409,512.94 |
| Accrued Liabilities - Schedule 2 | 189,711.95 | 147,845.76 |
| Note Payable - Orher | 88,678.55 | 80,804.49 |
| Drum Deposits Note Payable - Comerica Bank | 15,000.00 600,000.00 | 5.000.00 |
| Term Debt - Current - Schedule 2 | 64,192.99 | 61,242.90 |
| | *************************************** | |
| TOTAL CURRENT LIABILITIES | 2,680,631.85 | 1,704,406.09 |
| TERM DEBT -Schedule 2 | 501.807.25 | 566,000,24 |
| SHAREHOLDERS' FOUITY | | |
| Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; | | |
| 66 & 30,166 Shares Issued & Outstanding Respectively | 3,016.60 | 3,016.60 |
| relained Earning | 1,482,111.17 | 1,621,174.91 |
| TOTAL SHAREHOLDERS' EQUITY | 1,485,127.77 | 1,624,191.51 |
| TOTAL LIABILITIES & SHAREHOLDERS' FOURTY | 4,667,566.87 | 3, 894, 597. 8 4 |
| | | |

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1999 and April 30,1998

| | 1 <u>999</u> | 26 | 1998 | 26 |
|--|---------------|--------|---------------|-------------|
| SALES | 11,091,213.90 | 100.00 | 11,260,539,56 | 100.00 |
| LESS: COST OF SALES | 7,584,061.66 | 68.38 | 8,060,860.93 | 71.59 |
| GROSS PROFIT | 3,507,152.24 | 31.62 | 3.199.678.63 | 28.41 |
| | | | | |
| OPERATING EXPENSES | | | | |
| Salaries & Wages | 680,180.11 | 6.13 | 709,634.02 | 6.30 |
| Compensation Insurance | 17,311.24 | 0.16 | 24,540.79 | 0.22 |
| Outside Labor | 626,476.75 | 5.65 | 319,537.04 | 2.84 |
| Insurance | 265,309.16 | 2.39 | 265,108.78 | 2.35 |
| Truck Expenses | 131.027.53 | 1.18 | 114,409,33 | 1.02 |
| Freight | 404,507,32 | 3.65 | . 379,299,35 | 3.37 |
| Commissions | 398,910.17 | 3.60 | 340,659.92 | 3.03 |
| Rent | 99,006.00 | 0.89 | 90,976.00 | 0.81 |
| Repairs & Maintenance | 165,711.61 | 1.49 | 127,318.55 | 1.13 |
| Plant Expense | 114,899.48 | 1.04 | 44,809.65 | 0.40 |
| Tank Tosting & Lab Expense | 292.64 | 0.00 | 254,49 | 0.00 |
| Auto & Travel | 45,176.85 | 0.41 | 33,984.50 | 0.30 |
| Bad Debra | 2,826.27 | 0.03 | 14,562.98 | 0.13 |
| Tank Tosting & Lab Expense Auto & Travel Bad Debts Bank Charge Telephone & Utilities mediation roll Taxes Professional Services Taxes & Licenses Business Promotion Office Supplies Computer Expense | 3,436.20 | 0.03 | (212.57) | (0.00) |
| Telephone & Utilities | 50,584.73 | 0.46 | 52,094.53 | 0.46 |
| reciation | 47,639.00 | 0.43 | 43,725.00 | 0.39 |
| roll Taxes | 57,809.07 | 0.52 | 61,781.10 | 0.55 |
| Professional Services | 135,175,23 | 1.22 | 119,344.26 | 1.06 |
| Taxes & Licenses | 46,691.91 | 0.42 | 49.568.57 | 0.44 |
| Business Promotion | 30,016,36 | 0.27 | 30,412.68 | 0.27 |
| Office Supplies OA | 44,697.54 | 0.40 | 28,901.85 | 0.26 |
| Computer Expense | 38,786.01 | 0.33 | 35,637.67 | 0.32 |
| Advertising | 17,073.57 | 0.15 | 19,382.48 | 0.17 |
| Profit Sharing Expense | 58,978.91 | 0.53 | 29,360.00 | 0.26 |
| Employee Welfare | 8,751.74 | 0.08 | 9,342.15 | 0.08 |
| Dues & Subscriptions | 10,835.12 | 0.10 | 9,763.56 | 0.09 |
| Equipment Rental | 40,985,18 | 0.37 | 33,492.50 | 0,30 |
| Seminars & Meetings | 5,002.32 | 0.05 | 9,355.87 | 0.08 |
| Penalties | - | 0.00 | 10,789.05 | 0.10 |
| Donations | 1,225.00 | 0.01 | 750.00 | 0.01 |
| TOTAL OPERATING EXPENSE | 3,549,323,02 | 32.00 | 3.008,584.10 | 26.72 |
| OPERATING (LOSS) INCOME | (42,170.78) | (0.38) | 191,094.53 | 1.70 |
| OTHER INCOME (EXPENSES) - Schedule 1 | (121,578.96) | (1.10) | (148,579.13) | (1.32) |
| (LOSS) INCOME BEFORE INCOME TAXES | (163,749.74) | (1.48) | 42,515.40 | 0.38 |
| Provision for Income Taxes (Reduction) | (24,686.00) | (0.22) | 11,527.00 | 0.10 |
| NET (LOSS) INCOME TO RETAINED FARNINGS | (139,063.74) | (1.25) | 30,988.40 | ስ 28 |
| RETAINED EARNINGS - BEGINNING | 1.621,174.91 | | 1,590,186.51 | <u>0.28</u> |
| RETAINED EARNINGS - ENDING | | | | |
| VETWIEN EVENINA - PINNA | 1,482,111.17 | | 1.621,174.91 | |

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1999 and April 30, 1998

| | 1999 | 1998 |
|--|---|--|
| OPERATING ACTIVITIES | | |
| Net (Loss) Income | (139,063.74) | 30,988.40 |
| Adjustments to Reconcile Net to Net Cash | • • • • • | |
| Provided by Operating Activities: | | |
| Depreciation | 47,639.00 | 43,725.00 |
| CASH (USED) PROVIDED BY OPERATIONS | (91,424.74) | 74,713.40 |
| CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES: | | |
| (Increase) Decrease in Accounts Receivable | (74,876.48) | 231,479.57 |
| Decrease in Inventories | 204,442,43 | 54,379.50 |
| (Increase) in Deferred Charges | (13.385.49) | (21.653.92) |
| Decrease (Increase) in Other Current Assets | (18,249.54) | (17,577.89) |
| (Increase) Decrease in Other Assets | (10,000.00) | 1,080.00 |
| Increase in Accounts Payable | 313,535.42 | 52,467.22 |
| Increase (Decrease) in Accrued Liabilities | 41,866,19 | (23,326.55) |
| Increase (Decrease) in Customer Deposits | 10,000.00 | (2,000.00) |
| (Decrease) in Income Tax Payable | | (5,983.00) |
| NET CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES. | 453,332.53 | 268,864.93 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 361,907.79 | 343,578,33 |
| Marketable Securities Construction in Progress Purchase of Property, Plant & Equipment NET CASH (USED) BY INPESTING ACTIVITIES Increase (Decrease) in Notes Payable NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | (321,579.18) (589,779.37) (32,754.00) (944,112.55) 546,631.16 | (498.612.56) (44,848.00) (543,460.56) (50,241.67) |
| NET CASH PROVIDED (USED) BY FIRANCING ACTIVITIES | 546,631.16 | (50,241-67) |
| (DECREASE) IN CASH AND CASH EQUIVALENTS | (35,573.60) | (250,123.90) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 67,978.02 | 318,101.92 |
| CASH AND CASH FOUNVALENTS - END OF YEAR | 32,404.42 | 67,978.02 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash Paid During the Years Ended April 30, 1999 and April 30, 1998 for: | | |
| income Texas | 2,795.00 | 26,863.00 |
| Interest | 57.301.15 | 46,027.74 |

BALANCE SHEETS SCHEDULES

April 30, 1999 and April 30,1998

| - | • | | Schedule 2 |
|---------------------------------|---|--------------------------|--------------------------|
| | | 1999 | 1998 |
| DEFERRED CHARGES | | 2.231.00 | |
| Property Taxes | | 2,021.00 | 2,068.00 |
| Insurance | | 105,222.00 | 100,058.00 |
| Lease | | 9,352.76 | 1,863.51 3,718.00 |
| Taxes & Licenses | | 3,657.00 1,536.05 | 3.718.00 |
| Sales Taxes | | 21,264.00 | 24,816.80 |
| Other Compensation Insurance | | 2,856.99 | 24,010,00 |
| | _ | 145,909.80 | 132,524.31 |
| TOTAL. | | 143,509.60 | 132,324.31 |
| ACCRUED LIABILITIES | Current 12 184 86 | | |
| Commissions | | 63,586.67 | 53,172.56 |
| Compensation Insurance | Was a Cliff | • | 3,237 <i>.7</i> 7 |
| Sales Tuxes | 12. V. 18. 18. 18. 18. 18. 18. 18. 18. 18. 18 | • | 1,720.00 |
| Claim Expense | | ** | 25,000.00 |
| ESOP Contribution | M. C. IL | 61,500.00 | 29,360.00 |
| , roll | J. Chin | 14,525.28 | 20,100.43 |
| omer | | 50_100.00 189_711.95 | 15.255.00 147.845.76 |
| TOTAL / CA | ,W/ | 109-711-91 | 147,845.76 |
| / K. | ./ | <u>1999</u> | |
| TERM DEBT - Note 5 | Current | Term | <u>Total</u> |
| J. Locke | 12.184.86 | 150,859.41 | 163,044.27 |
| A. Rosenthal | 12,184.86 | 150,859.41 | 163,044.27 |
| N. Spieler, Trustee | 12,184,86 | 150,859.41 | 163,044.27 |
| E.S.O.P. | 21,000.00 | 42,852.00 | 63,852.00 |
| Jaguar Credit Corp. | <u>6.638 41</u> | 6,377,02 | 13,015,43 |
| TOTAL. | <u>64,192,99</u> | <u>501,807,25</u> | 566,000,24 |
| | | 1 <u>998</u> | |
| | Current | <u> Ferm</u> | <u>Total</u> |
| TERM DEBT - Note 5 | 11 600 00 | 163.046.00 | 174 251 75 |
| J. Locke | 11,307.09 11,307.09 | 163,044.27 163,044.27 | 174,351.36 174,351.36 |
| A. Rosenthal | 11,307.09 | 163,044.27 | 174,351.36 |
| N. Spieler, Trustee E.S.O.P. | 21,000.00 | 63,852.00 | 84,852.00 |
| Jaguar Credit Corp. | 6.321.63 | 13.015.43 | 19.337.06 |
| TOTAL | 61.242.90 | 566,000,24 | 627,243,14 |
| | | | |

NOTES TO FINANCIAL STATEMENTS

April 30, 1999 and April 30, 1998

Note 1 - Summary of Significant Accounting Policies

<u>General</u> - The Company is a reseller/distributor of liquid industrial and consumer product chemicals used in coating and other processes.

<u>Use of Estimates</u> - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

<u>Inventory</u> - Chemicals (raw materials and finished goods), components and drums are priced at the lower of cost (fifo) or market.

| | • • • • • | 1999 | 1998 |
|-------------------|-----------|------------|--------------|
| Finished Products | | 394,598.98 | 460,944.92 |
| Raw Materials | | 406,675.43 | 358,926.22 |
| Components | | 251,398.32 | 237,586.11 |
| Drums | | 10.000.00 | 10,018.00 |
| <u>TOTALS</u> | | 863,032.82 | 1.067.475.25 |

Property Plant and Equipment

Property, plant and equipment are depreciated on the straight line, declining balance, ACRS and MACRS methods for financial statement purposes and for tax purposes over the following useful lives:

Machinery & Equipment 5 - 7 Years
Vehicles 5 Years
Office Equipment 5 - 7 Years
Data Processing Equipment 5 - 7 Years
Leasehold Improvements 31.5 Years

FOR INTERNAL USE ONLY

NOTES TO FINANCIAL STATEMENTS

April 30, 1999 and April 30, 1998

An analysis of the depreciable assets and respective accumulated depreciation is as follows:

| • | | Accumulated | Book |
|--|--|--------------------------------|-------------------------------------|
| | <u>Cost</u> | <u>Depreciation</u> | <u>Value</u> |
| 1999 | | • | |
| Land | 648,000.00 | 0.00 | 648,000.00 |
| Construction in Progress | 589,779,37 | 0.00 | 589,779.37 |
| Office Trailers | 101,711.00 | 98,157.00 | 3,554.00 |
| Trucks and Autos | 232,386.00 | 202,844.00 | 29,542.00 |
| Tanks and Plant Equipment | 868,982.00 | 820,281.00 | 48,701.00 |
| Furniture and Fixtures | 275,092.00 | 251,459.00 | 23,633.00 |
| Plant | <u>385,606.00</u> | <u>331.333.00</u> | <u>54,273.00</u> |
| TOTALS | 3.101.556.37 | 1.704.074.00 | 1,397,482.37 |
| | | | |
| | and the same of th | Accumulated | Book |
| | Cost * | Depreciation | <u>Value</u> |
| <u>199</u> 8 | - | | |
| Land | 648,000,00 | ONLY 2704.00 | 648,000.00 |
| Office Trailers | 10 21 00 | Officer and on | 4.007.00 |
| | | 0111 97, 7 04.00 | 4,007.00 |
| Trucks and Autos | 200 8 M EQ | 187,110.00 | 36,368.00 |
| Trucks and Autos Tanks and Plant Equipment | 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 | 187,110.00 802,123.00 | • • |
| | 23 4 78.00 S | × 18 7,110.00 | 36,368.00 |
| Tanks and Plant Equipment | 23 478.00 S 273 636.00 273 6376.00 | 802,123.00 | 36,368.00 61,513.00 |
| Tanks and Plant Equipment Furniture and Fixtures | 23,479.00 23,636,00 23,636,00 30,63,630 10,00 10 | 802,123.00 241,967.00 | 36,368.00 61,513.00 31,649.00 |

Depreciation for financial state int purposes amounted to \$47,639.00 and \$43,725.00 in 1999 and 1998, respectively.

Costs of maintenance and repairs, including minor betterments, are charged to income as costs are incurred.

Income Taxes

An analysis of the provision for income tax is as follows:

| | | <u> 1999</u> | <u>1998</u> |
|---------|-------|---------------|-------------|
| Federal | | \$(25,486.00) | \$10,273.00 |
| State | 4 · 4 | \$ 800.00 | \$_1,254.00 |
| TOTAL | | \$(24,686.00) | \$11,527.00 |

NOTES TO FINANCIAL STATEMENTS

April 30, 1999 and April 30, 1998

Note 2 - Accounts Receivable - The agings of accounts receivable are as follows:

| 1998 |
|--|
| 724,437.78 837,407.85 |
| 362,183.58 389,692.42 |
| 48,106.89 26,970.82 |
| 290,996.29 51,670.14 |
| (96,709.02) (51,602.19) |
| 1,329.015.52 1,254,139.04 |
| (5,000.00) (5,000.00) |
| 1,324,015.52 1,249,139.04 |
| 362,183.58 389,693 48,106.89 26,976 290,996.29 51,676 (96,709.02) (51,603 1,329.015.52 1,254,133 (5,000.00) (5,000 |

Note 3 - Short Term Creen Arsingeme

The company has a short term credit agreement with Comerica Bank, which is secured by receivables, inventory and all offen assets of the company for up to eighty percent (80%) of the net amount of eligible accounts receivable. The agreement is renewable annually. The interest rate for this agreement 1% in audition to the bank's base rate, currently 8.5%.

Note 4 - Commitments & Contingencies

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of April 30, 1999.

| V | 'C' | J: | Anril | 70 | |
|----------|------------|-------|----------|------|---|
| VENT | | 71770 | A 7777 J | - 51 | • |

| 2000 | 153,652.32 |
|------------------------|--------------------|
| 2001 | 141,900,65 |
| 2002 | 129,457.32 |
| 2003 | 99,448.92 |
| 2004 | 94,951.92 |
| Later Years | 163,301,28 |
| TOTAL MINIMUM PAYMENTS | <u> 782,712.41</u> |

NOTES TO FINANCIAL STATEMENTS

April 30, 1999 and April 30, 1998

Rent expense for financial statement purposes amounted to \$99,006.00 and \$90,976.00 in the years ended April 30, 1999 and 1998, respectively.

The Federal Government has required all single wall underground storage tanks to be either replaced with double wall tanks or shut down as of December 22, 1998. As a result during the fiscal year Angeles Chemical Co., Inc. has shut down and sealed off all underground storage tanks and is now in the process of installing above ground storage tanks at their facilities in Santa Fe Spring. The estimated cost to be incurred during the fiscal year April 30, 2000 is \$800,000.00.

Note 5 - Term Debt

The Company long term debt at April 30, 1999 and April 30, 1998 consists of the following:

| | 1. A. A | <u> 1999</u> | <u> 1998</u> |
|--|---------------------------------------|------------------------|-------------------|
| Note Payable- John Locke, the prin shareholder. Monthly Payments o | <u>-</u> | | , |
| \$2,000.00, with interest at 7.50%. | _ | | |
| Secured by deed of Trust. | / · X ⋅ | 163,044.27 | 174,351.36 |
| | /*/ \ | | • |
| Note Payable- Arnold Rosenthal. | - A. | \ | |
| Monthly Payments of \$2,000.00, | 1. A. | > | |
| with interest at 7.50%. Secured by | Jan 1 Olyn | / | |
| deed of Trust. | \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ | 163,044.27 | 174,351.36 |
| | | | |
| Note Payable- Norman M Spriler | M. Carlot | | |
| Monthly Payments of \$2,000.00 | | | |
| with interest at 7.50%. Secured by | W. \ | 142 044 07 | 174 251 26 |
| deed of 1 rust. | | 163,044.27 | 174,351.36 |
| Monthly Payments of \$2,000.00, with interest at 7.50%. Secured by deed of Trust. Note Payable- Norman M Spaler Monthly Payments of \$2,000.00 with interest at 7.50%. Secured by deed of Trust. Note Payable- E.S.O.P Yearly Payments of \$21,000.00, a non | / | | |
| Payments of \$21,000.00, a non | | | |
| interest bearing note. | | 63,852.00 | 84,852.00 |
| morest powering more. | | 00,002.00 | 04,052.00 |
| Note Payable- Jaguar Credit Corp. | | | |
| Monthly Payments of \$594.03, | | | |
| with interest at 4.90%. | | 13,015,43 | 19,337.06 |
| | | | |
| TOTAL | | 566,000.24 | 627,243.14 |
| Less: Current Maturities | | <u>64,192.99</u> | 61,242.90 |
| CONTROL AND | | 501 00 7 75 | £66.000.01 |
| TERM DEBT | | <u>501,807,25</u> | <u>566,000.24</u> |

NOTES TO FINANCIAL STATEMENTS

April 30, 1999 and April 30, 1998

As of April 30, 1999 the current maturities of long term debt for the five years ending April 30, were as follows:

| 2000 | 64,192.99 |
|-------------|-------------------|
| 2001 | 66,769.51 |
| 2002 | 64,302.60 |
| 2003 | 45,746.22 |
| 2004 | 49,297.53 |
| Later Years | <u>275,691.39</u> |
| | 566,000,24 |

Note 6 - Concentration of Credit Risks

The Company maintains its cash in bank deposit accounts at a high quality financial institution. At times throughout the year the Company may maintain certain bank accounts in excess of the FDIC insured limits.



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|---------------------------------------|---|
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| | FMV |
| <u>-</u> | FMU |
| | 4/30/28 |
| | 4/30/78 |
| | |
| | |
| | 769 1 5/57/176) |
| | 1364 13 14 13 14 |
| | · 758 f = 1,621,175) in : 1,215,881 or (Retsined Earnings 40.30 p/s (A) |
| | |
| · . | · |
| | |
| | · 758 of \$1,624,191 in 1,218,143 (Book Value) ~ \$40.38 p/s. |
| | (Book Value) a \$40.38 p/s. |
| | , |
| , | Dri \$ 3,262~ 0.08 p/s a |
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BRAMSTEDT

and Associates Incorporated

Financial Consulting

1

Business Valuations

Financial Analysis

1

Evaluation of the Common Stock of

ANGELES CHEMICAL CO.

as of April 30, 1997 8

> Ph- 562-945-3911 FAX-512-698-7571

vyelate Fee 3800

Prepared by: Branstedt & Associates, Inc. December 1997

Sep 1998

2402 Yista Del Mar Lane. Tibureo, CA 94920-1206. Tel 415-435-9436. Fax 415-435-9436. 114 Sansonne St., Suite 606. San Francisco, CA 94104-3616. Tel 415-362-9900. Pax 415-362-6492.



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SINGER, TRAYNOR & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

6055 E. Washington Bl., Suite 500 Los Angeles, CA 90040

June 15, 1999

Angeles Chemical Co., Inc. 8915 Sorensen Ave. Santa Fe Springs, CA 90670

We have reviewed the accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1999 and April 30, 1998, and the related statements of income and retained earnings and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Angeles Chemical Co., Inc.

A review consists principally of impulsies of company personnel and analytical procedures applied to financial data. It is substantially less in stage than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we so not express such an opinion.

Based on our review, we are not aware of any marerial modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Singer, Traynor & Co.
Certified Public Accountants

BR000679

Fax Cover Sheet

| DATE: | 8.6.99 | | |
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| TO: | Fric Brownisted | PHONE: FAX: | (415) 435.9438 |
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BALANCE SHEETS

April 30, 1999 and April 36,1998

ASSETS

| CURRENT ASSETS | <u>1999</u> | <u>1998</u> |
|---|-------------------------|---------------------|
| Cash | 852,596.16 | 566,590.58 |
| Accounts Receivable (Net of Bad Debts Allowances of | 002,070,10 | J00,J30.Ja |
| \$5,000.00 and \$5,000.00 Respectively) - Note 2 | 1,324,015.52 | 1,249,139.04 |
| Inventories (Lower of Cost, FIFO or Market) - Note 1 | 863,103.25 | 1,067,475.25 |
| Due from Stallion Tank Lines, Inc. | 3,859.28 | 11,029.28 |
| Due from Samson Chemical Co. | 12,500.00 | 12,500.00 |
| Prepaid Income Taxes | 33,893.00 | 9,198.60 |
| Miscellaneous Receivable | 4,029.07 | 2,983.00 |
| Employee Advances | 11,240.99 | 15,570.38 |
| Deferred Charges - Schedule 2 | 145,909.80 | 132,524.31 |
| TOTAL CURRENT ASSETS | 3,251,147.07 | 3,067,009.84 |
| FIXED ASSETS (at Cost) - Note 1 | | |
| Land | 648,000.00 | 648,000.00 |
| Office Trailers | 101,711.00 | 101,711.00 |
| Trucks & Autos | 232,386.00 | 223,478.00 |
| Tanks & Plant Equipment | 868, 999 .00 | 863,636.00 |
| Furniture & Fixtures | 275,092.00 | 273,616.00 |
| Plant | 385,589.00 | 36 8,58 2.00 |
| Trucks & Autos Tanks & Plant Equipment Furniture & Fixtures Plant Construction in Progress TOTAL Less: Accumulated Depreciation BOOK VALUE | 589,779.37 | |
| TOTAL Less: Accumulated Depreciation | 3,101,556.37 | 2,479,023.00 |
| Less: Accumulated Depreciation | 1,704,074.00 | 1,656,435.00 |
| BOOK VALUE OTHER ASSETS | 1,397,482.37 | 822,588.00 |
| OTHER ASSETS Deposits | 15,000.00 | 5.000.00 |
| TOTALASSEIS | 4,663,629.44 | 3,894,597.84 |
| LIABILITIES AND SHAREHOLDERS' E | OUITY | |
| CURRENT LIABILITIES | | |
| Accounts Payable | 1,723,048.36 | 1,409,512.94 |
| Accrued Liabilities - Schedule 2 | 162,211.95 | 147,845,76 |
| Note Payable - Other | 88,678.55 | 80,804.49 |
| Drum Deposits | 15,000.00 | 5,000.00 |
| Term Debt - Current - Schedule 2 | 67,364.38 | 61,243.90 |
| TOTAL CURRENT LIABILITIES | 2,056,303.24 | 1,704,406.09 |
| TERM DEBTSchedule 2 | 1,098,635.86 | 566,000.24 |
| SHAREHOLDERS' FQUITY | | |
| Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; | | |
| 30,166 & 30,166 Shares Issued & Outstanding Respectively | 3,016.60 | 3,016.60 |
| Retained Earning | 1,505,673.74 | 1,621,174.91 |
| TOTAL SHAREHOLDERS' EQUITY | 1,508,690.34 | 1,624,191.51 |
| TOTAL LIABILITIES & SHAREHOLDERS' EOUITY | 4,663,629.44 | 3,894,597.84 |

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1999 and April 30, 1998

| | <u>1999</u> | 26 | 1998 | 26 |
|--|-------------------------------|-----------------|-------------------------------|-----------------|
| SALES LESS; COST OF SALES | 11,091,213.90 7,583,991.23 | 100.00 68.38 | 11,260,539.56 8,060,860.93 | 100.00 71.59 |
| GROSS PROFIT | 3,507,222.67 | 31,62 | 3,199,678.63 | 28.41 |
| | | | | |
| OPERATING EXPENSES | | | | |
| Salaries & Wages | 680,180.11 | 6.13 | 709,634.02 | 6.30 |
| Compensation Insurance | 17,311.24 | 0.16 | 24,540.79 | 0.22 |
| Outside Labor | 626,476.75 | 3.65 | 319,537.04 | 2.84 |
| Insurance | 265,309.16 | 2.39 | 265,108.78 | 2.35 |
| Truck Expenses | 134,027.53 | 1.21 | 114,409.33 | 1.02 |
| Freight | 404,507.32 | 3.65 | 379,299.35 | 3.37 |
| Commissions | 398,910.17 | 3.60 | 340,659.92 | 3.03 |
| Ront | 99,006.00 | 0.89 | 90,976.00 | 0.81 |
| Repairs & Maintenance Plant Expense | 165,711.61 | 1.49 | 127.318.55 | 1.13 |
| Plant Expense | 114,899.48 | 1.04 | 44,809.65 | 0.40 |
| Tank Testing & Lab Expense | 292.64 | 0.00 | 254.49 | 0.00 |
| Auto & Travel | 45,176.85 | 0.41 | 33,984.50 | 0.30 |
| Bad Debts | 2,826.27 | 0.03 | 14,562.98 | 0.13 |
| Bank Charge | 3,436.20 | 0.03 | (212.57) | (0.00) |
| Teicphone & Utilities | 50,584.73 | 0.46 | 52,094.53 | 0.46 |
| Depreciation | 47,639.00 | 0.43 | 43,725.00 | 0.39 |
| Payroll Taxes | 37,809.07 | 0.52 | 61,781.10 | 0.55 |
| Professional Services Taxes & Licenses | 135,175,23 | 1.22 | 119,344.26 | 1.06 |
| Business Promotion | 46,691.91 | 0.42 | 49,568.57 | 0.44 |
| , , , | 30,016.36 | 0.27 | 30,412.68 | 0.27 |
| Office Supplies Computer Expense | 42,912.40 | 0.39 | 28,901.85 | 0.26 |
| Advertising | 38,786.01 | 0.35 | 35,637.67 | 0.32 |
| Profit Sharing Expense | 17,073.57 | 0.15 | 19,382.48 | 0.17 |
| Employee Welfare | 31,478.91 | 0.28 | 29,360.00 | 0.26 |
| Dues & Subscriptions | 8,751.74 | 0.08 | 9.342.15 | 0.08 |
| • | 10,835.12 | 0.10 | 9,763.56 | 0.09 |
| Equipment Rental Seminars & Meetings | 40,985.18 | 0.37 | 33,492.50 | 0.30 |
| Penalties | 5,002.32 | 0.05 | 9,355.87 | 0.08 |
| Donations | | 0.00 | 10.789.03 | |
| | 1,225.00 | 0.01 | 750.00 | 0.01 |
| TOTAL OPERATING EXPENSE | 3,523,037.88 | <u>31.76</u> | 3,008,384.10 | <u> 26.72</u> |
| OPERATING INCOME | (15,815.21) | (0.14) | 191,094.53 | 1.70 |
| OTHER INCOME (EXPENSES) - Schedule 1 | (121,585,96) | (1.10) | (148,579.13) | (1.32) |
| INCOME BEFORE INCOME TAXES | (137,401.17) | (1.24) | 42,515.40 | 0.38 |
| | | • | | |
| Provision for Income Taxes | (21,900.00) | (0.20) | 11.527.00 | 0.10 |
| NET INCOME TO RETAINED EARNINGS | (115,501.17) | (1.04) | 30,988,40 | 0.28 |
| RETAINED EARNINGS - BEGINNING | 1,621,174.91 | - | 1,590,186.51 | - |
| LESS: SHARES RETIRED | | | | |
| RETAINED EARNINGS - ENDING | 1,505,673,74 | | 1,621,174.91 | |
| ·· · | | | | |

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1999 and April 30, 1998

| | 1999 | 1 99 8 |
|--|--|-------------------|
| OPERATING ACTIVITIES | | |
| Net Income | (115,501,17) | 30,988,40 |
| Adjustments to Reconcile Net to Net Cash | (114,541,11) | 20,200,40 |
| Provided by Operating Activities: | | |
| Depreciation | 47,639.00 | 43,725.00 |
| CASH (USED) PROVIDED BY OPERATIONS | (67,862.17) | 74,713.40 |
| CASH PROVIDED BY OPERATING ASSETS AND LIARIM HES: | | |
| (Increase) Decrease in Accounts Receivable | (74,876.48) | 231,479.57 |
| Decrease in Inventories | 204,372.00 | 54,379.50 |
| (Increase) in Deferred Charges | (13,385.49) | (21,653.92) |
| Decrease (Increase) in Other Current Assets | (14,241.68) | (17,577,89) |
| Decrease (Increase) in Other Current Assets (Increase) Decrease in Other Assets Increase in Accounts Pavable | (10,000.00) | 1,080.00 |
| The state of the s | .,313,535.42 | 52,467.22 |
| Increase (Decrease) in Accrued Liabilities | - 14,366.19 | (23,326.55) |
| Increase (Decrease) in Customer Deposits | 10,000.00 | (2,000.00) |
| (Decreuse) in Income Tax Payable | <u> </u> | (5,983.00) |
| NET CASH PROVIDED BY OPERATING ASSETS AND LEGBILLIES | 429.769.96 | 268,864.93 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 361,907.79 | 343,578.33 |
| INVESTING ACTIVITIES Construction in Progress Purchase of Property, Plant & Equipment | / / | |
| Construction in Progress | (589,779.37) | |
| Purchase of Property, Plant & Equipment | (32,754.00) | (44,848.00) |
| NET CASH (USED) BY INVESTING ACTIVITIES | (622,533,37) | (44,848.00) |
| | (0-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1 | (44,646.00) |
| FINANCING ACTIVITIES | | |
| Incroase (Decrease) in Notes Psyable | 546,631.16 | (\$0,241.67) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | 546,631.16 | (50,241,67) |
| | | (55,241,57) |
| INCREASE IN CASH AND CASH FOUTVALENTS | 286,005.58 | 248,483.66 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 566,590,58 | 318,101.92 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | 852,596.16 | 566,590,58 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash Paid During the Years Ended April 30, 1999 and April 30, 1998 for: | | |
| | | |
| Income Taxes | 2,795,00 | 26,863.00 |
| Interest | 57,301.15 | 46,027.74 |

OTHER INCOME (EXPENSES)

For the Years Ended April 30, 1999 and April 30, 1998

| | 1999 | 26 | <u>1998</u> | % |
|-------------------------|--------------|--------|--------------|----------|
| Terminaling Charges | 22,713.88 | 0.20 | 31,890.87 | 0.28 |
| Interest Income | 26,910,11 | 0.24 | 14,598.66 | 0.13 |
| Claims Expense | (622,47) | (0.01) | (59,382.27) | (0.53) |
| Contamination (Expense) | (116,186.46) | (1.05) | (98,978.27) | (0.88) |
| Casualty Loss | (5,391.81) | (0.05) | (2,984.24) | (0.03) |
| Miscellaneous Income | 8,291,94 | 0.07 | 12,303.86 | 0.11 |
| Miscellaneous Expense | | 0.00 | | 0.00 |
| Interest Expense | (57,301.15) | (0.32) | (46,027.74) | (0.41) |
| NET OTHER (EXPENSE) | (121,585.96) | (1.10) | (148,579.13) | (1.32) |



BALANCE SHEETS SCHEDULES

April 30, 1999 and April 30, 1998

| | | 1999 | 1998 |
|--|---------------|----------------------|-------------------|
| DEFERRED CHARGES | | | |
| Property Taxes Insurance | | 2,021.00 | 2,068.00 |
| Lease | | 105,222.00 | 100,058.00 |
| Taxes & Licenses | | 9,352.76 | 1,863.51 |
| Sales Taxes | | 3,657,00 1,536,05 | 3,718.00 |
| Orther | | 21,264.00 | 24,816.80 |
| Compensation Insurance | | 2,856.99 | 24,810.80 |
| TOTAL | | 145,909.80 | 132,524.31 |
| IVIAG | | 143,309.00 | £32,324.31 |
| | $\overline{}$ | | |
| ACCRUED LIABILITIES Commissions | # | 63,586.67 | 53,172.56 |
| Componsation Insurance | • "" | * | 3,237,77 |
| Sales Taxes | \ | · • | 1,720.00 |
| Claim Expense | / v. / | | 25,000.00 |
| ESOP Contribution | · UMr, 7 | 34,000,00 | 29,360.00 |
| Payroll | Sk | 14,525.28 | 20,100,43 |
| Other \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ | | 50,100,00 | 15,255.00 |
| Compensation Insurance Sales Taxes Claim Expense ESOP Contribution Payroll Other TOTAL TERM DEBT - Note 5 | | 162,211.95 | 147.845.76 |
| FUN | | <u> 1999</u> | |
| TERM DEBT - Note 5 | Cucrent | Term | <u>Total</u> |
| J. Locke | 13,241.99 | 149.802.28 | 163,044.27 |
| A. Rosenthal | 13,241.99 | 149,802.28 | 163,044.27 |
| N. Spieler, Trustee | 13,241.99 | 149,802.28 | 163,044.27 |
| Comerica | = | 600,000.00 | 600,000.00 |
| E.S.O.P. | 21,600.00 | 42,852.00 | 63,852.00 |
| Jaguar Credit Corp. | 6.638.41 | <u>6.377.02</u> | 13.015.4 <u>3</u> |
| TOTAL | 67.364.38 | 1.098,635.86 | 1.166.000.24 |
| | Current | <u> 1998</u> Term | Tatal |
| TERM DERT - Note 5 | SHOWIN | TEUÜ | Total |
| J. Locke | 11,307.09 | 163,044.27 | 174,351,36 |
| A. Rosenthal | 11,307.09 | 163,044.27 | 174,351.36 |
| N. Spieler, Trustee | 11,307.09 | 163,044,27 | 174,351.36 |
| E.S.O.P. | 21,000.00 | 63,852.00 | 84,852.00 |
| Jaguar Credit Corp. | 6.321.63 | 13.015.43 | 19.337.06 |
| TOTAL | 61,242,90 | 366,000.24 | 627.243.14 |

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amban Enf at 98 1/30/97 In day ESOF FMU upolate for 4/30/98 discourse en en detaminay estente (discounted) FMU of Bay consulting 4 Bo/97 (See altake) Therefore FMU pashers of 4/30/95 should have been \$35, 51 mit \$32.30 ~ 11% differena. In fame John Locke (ESOP Trutes) porticular on #18,864 F1997 pay -out na In 8 papers. appart decision met Too make any retiretive requestrate F1998 FMU. summelater eno.

Determination of ESOP Fair Market Value

April 30, 1997

Changed By CPA 7 St. 695.064 F1, 593, 203

Stated Book Value

| Mark to market: a) Company land - deduct | (473.000) /473,000) |
|---|--|
| b) Difference between face value and estimated market value of term debt - add | 290,000 290,000 |
| 2) Estimated present value of off-balance sheet obligations a) Berg 10-year consulting agreement - deduct b) Berg 5-year ESOP stock repurchase promissory note - deduct | (355,000) (735,792) (14,000) (74,192) |
| Adjusted Book Value | 4085,064 1/200,219 |
| Less 10% Discount for Restricted Marketability | 100,306 12002 |
| ESOP FMV | s 944398 1, 050, 147 |
| On 30,166 A & B Common Shares | \$33.30/share (R) \$3.5 5/ |
| R = rounded | |

This valuation approach produces an indicated fair market value for ESOP purposes of the equity ownership of Angeles Chemical as of April 30, 1997 of \$974,758 or \$32.30 per share on 30,166 A and B common shares outstanding.

As of the ESOP plan year which began May 1, 1987, the ESOP Administration Committee set a policy of paying plan participants terminated for reasons other than retirement at age 65 in five annual cash pay-outs commencing on the first anniversary of termination. Terminated plan participants sell 20% of their stock to the ESOP in each of five years at the fair market value applicable for each year. Accordingly, the above derived value reflects a discount of 10% or the same as applied at April 30, 1996. This marketability discount conceptually reflects the time value of money under the deferred pay-out program now in effect.

Recent Stock Sale and Valuation

Revenue Ruling 59-60 suggests that arm's-length sales to knowledgeable unrelated third parties in the recent past would be a basis for valuation. The Berg A and B stock redemption on January 31, 1997 does not meet these criteria, although the cash and discounted value of the Berg consulting agreement equal an estimated \$28.00 a share on the 20,000 A share Company repurchase.

There have been no such recent qualifying transactions.

- --- Sales of stock and the size of the block to be valued
- Market prices of stock of other comparable companies traded on exchanges

These eight factors are fundamental to any appraisal of closely held securities. They are not, however, all-inclusive. Other factors relevant to the subject valuation were also considered, such as the ESOP repurchase liability and its effect on the application of a marketability discount.

Valuation History and Conclusion

This valuation represents an update of prior appraisals of Anchem's common stock for ESOP purposes prepared by this appraiser as a subcontractor to Sansome Street Appraisers, Inc., a wholly owned subsidiary of Menke & Associates, Inc. The following table summarizes our fair market value findings for the past five fiscal years:

Angeles Chemical Co.
Summary of Fair Market Value Determinations

F1997-1993
Aggregate Per Percent of

| | | | | | | 110 | <u>nes</u> |
|-------------|----------------------------|---------------------|-------------------|-------------------|------------------|--------|-------------------|
| | Aggregate | Per | | Percent of | | Gross | Working |
| <u>Date</u> | ESOP Value | Share* | Sales | Assets | Boulty /- | Profit | Capital 🗫 |
| | F1,080,197 | #3581 | 11.196 | 27.7% | 68% | 0.304 | 0.744 |
| 4/30/97 | . \$ - 974.7 58 | 4 32.3 0 | -10.0% | 25. 0% | -58 % | 0.32X | -0.63X |
| 4/30/96 | 1,467,603 | 27.15 | 21.3 | 33.7 | 81 | 0.76 | 0.94 |
| 4/30/95 | 1,187,463 | 22.00 | 18.0 | 37.3 | 81 | 0.60 | 0.99 |
| 4/30/94 | 1,421,555 | 26.30 | 20.4 | 41.2 | 81 | 0.64 | 0.93 |
| 4/30/93 | 1,650,000 | 30.50 | 20.4 | 52.1 | 92 | 0.68 | 1.06 |

^{*} Number of outstanding A and B common shares was reduced to 30,166 in fiscal 1997 from 54,065 in F1993-96.

Based upon our analysis of Angeles Chemical Co., Inc., our experience in the valuation of closely held securities, and the consideration of the factors set forth in this report, we are of the opinion that the aggregate minority interest fair market value of the common stock of Anchem for Employee Stock Ownership Plan purposes as of plan year end April 30, 1997 was \$974,758, or \$32.30 per share based upon 30,166 shares of A and B common stock outstanding.

This determination of fair market value is based on an adjusted book value approach and is discounted for restricted marketability. The reduction of the "price" to sales ratio to 10% at April 30, 1997 from about 20% previously and price to book value ratio to 58% from 81% reflects the economic impact on value of the new off-balance sheet obligations discussed below.

Special Valuation Considerations

In January 1994, Anchem's real property in Santa Fe Springs was transferred from the three founder/shareholders to the Company for \$648,000 in the form of Company 14-year notes. The price was negotiated by the principals and does not represent arm's-length fair market value as determined by a fall 1996 independent real estate appraisal. The property's marketability to a third-party buyer is impaired until its environmental problems are cured. In the appraiser's

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| Term: | 10 years to | | years to | |
| | 1/05/06 | | 12/01 | |
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| (it; | 2/15/97 | | 12/7/90 | |
| ant: | *4,000 | . // = | 1,170 | |
| Frequency? | montel | | musely | 1 |
| - 0 - | | · · · · · | 5-127 | |
| In The same | Relai PMV Rite | n Oh | E Sul J | Rete |
| | 8468,000 235,792 + 15% | */15 C.C. C.C. | A . A . | |
| / , 1 | II / * | 105852 | 7/4 | 15% |
| | 420,600 1.19,20.H 15% | 84,852 | 69506 | 15% |
| 4/30/99 | | | | |
| 4/30/00 | | | | |
| 4/30/01 | | | | |
| 4/30/0- | | | 11. 1 | |
| 4/30/03 | · · · · · · · · · · · · · · · · · · · | | | |
| + /30/04 | | | | |
| 4/30/05 | | | | · · ····· |
| | | | • | |
| x/30/08 | | | <u> </u> | |
| | | | | |
| | - No tax benefits @ 4/30/97 | | | |
| | a augusty intulated "355,600 | <u> </u> | | |
| . 1 | II | | | |

Valuation Conclusion

At April 30, 1997, Anchem's stated book value was \$1,695,055, to which adjustments are made for the estimated fair market value of the Company real estate, term debt, Berg ESOP note and consulting agreement and a discount for restricted marketability.

| | Revise | d PMV 4/30/90 |
|---|---|------------------------|
| ٠ | Real Estate Adjustment for Company Land | |
| | Stated or carrying value at April 30, 1997 | \$6 48,00 0 |
| | Estimated market value (clean) per MAI appraisal | \$575 ,00 0 |
| | Estimated clean-up costs (ex new tanks) | (400,000) |
| | Adjusted "market value" | · \$175,000 |
| | Consequent adjustment to book cost | (\$473,000) |
| • | Mark to Market Adjustment to 14-Year 7-1/2% Term Debt | |
| | Financial statement face amount outstanding at April 30, 1997 | \$580,000 |
| | Risk and marketability mark-down (50%) | (290,000) |
| | Estimated fair market value | \$290,000 |
| | Consequent adjustment to book value | (\$290,000) |
| • | Present Value at April 30, 1997 with an Applied 15% Discount Rate of: | |
| | Berg \$105,852 ESOP 5-year stock repurchase promissory note | \$ <u>74,192</u> |
| | - Berg \$468,000 10-year consulting agreement | \$354,597 |
| | —————————————————————————————————————— | · |

Based on his knowledge and analysis of Anchem, the Company's 1990s unprofitable operating record, pending large environmental clean up costs, poor note interest and asset coverage, and the term debt's restricted marketability, the appraiser believes a knowledgeable third party investor would require an effective 15% high risk bond yield (or two and one-half times the 10-year government note rate at April 30, 1997), thus effectively reducing the bond's fair market value by 50%. Similarly, a 15% discount rate is applied to the Berg 5-year \$105,852 ESOP promissory note and 10-year \$468,000 consulting agreement.

The estimated present values to April 30, 1997 of these off-balance sheet obligations are valuation debits. There are no future income tax savings imputed into the present value calculation of the tax-deductible payments on these obligations. The Company has not paid income taxes in the 1990s except for a small amount in fiscal 1997. According to Anchem's CPAs, there is no tax loss carryforward available at April 30, 1997. If and when Anchem begins paying income taxes on a consistent basis, the economic value of the then future tax deductions may be imputed into the present value process.

| • | | | |
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Sansome Street Appraisers, Inc.

Mendham, New Jersey

114 Sansome Street, Suite 808 San Francisco, California 94104-3818 (415) 362-9900 Fax (415) 362-6492

August 31, 1999

Mr. John Locke Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Dear John:

Enclosed is a self-explanatory addendum to the Anchem ESOP valuation report of April 30, 1998.

I apologize for the error. However, the correct value difference is economically inconsequential and, in my opinion, no action need be taken.

Also enclosed is an invoice for my August 16th field visit to Santa Fe Springs.

I will complete the April 30, 1999 ESOP valuation study as soon as I receive the final fiscal 1999 financial statements from Mark.

Sincerely,

Eric M. Bramstedt

EMB:ew enclosures

BRAMSTEDT

and Associates Incorporated Financial Consulting Business Valuations
Financial Analysis

August 31, 1999

Mr. John Locke, Trustee Employee Stock Ownership Plan Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Subject: Addendum to Angeles Chemical Co. (Anchem) ESOP Valuation Update Report of April 30, 1998, dated October 12, 1998.

Correction of Typographical Error: In the first full paragraph on page 18, Anchem's stated book value is incorrectly presented as \$1,264, 191 as of April 30, 1998. The correct book value is \$1,624,191 as presented at the top of page 18, on page 16 and elsewhere in the report.

Notation of Incorrect Mathematical Calculation: The equity fair market value calculation of \$1,215,881 or \$40.30 per share as of April 30, 1998 is represented as being 75% of the stated book value, when it is in fact 75% of Anchem's retained earnings of \$1,621,175 as of April 30, 1998. Seventy-five percent of stated book value of \$1,624,191 is \$1,218,143 or \$40.38 per share as of April 30, 1998.

We believe the corrected valuation differential of \$2,262 or \$0.08 per share or 0.2% is inconsequential and that no action is necessary for Plan valuation purposes. Please keep this addendum with the original April 30, 1998 report.

Submitted by,

BRAMSTEDT & ASSOCIATES, INC.

Erin M. Brambell

Eric M. Bramstedt, CFA

President

EMB:ew enclosures

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|---|--|---|--|
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ANGELES CHEMICAL CO., INC.

APRIL 30, 1998 AND APRIL 30, 1997

ANGELES CHEMICAL CO., INC.

INDEX

- 1. Accountant's Review Report
- 2. Balance Sheets
- Statements of Income and Retained Earnings
- Statements of Cash Flow
- 5. Other Income (Expenses) Schedule 1
- 6. Balance Sheets Schedules Schedule 2
- 7. Notes to Financial Statements

SINGER, TRAYNOR & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

6055 E. Washington Bl., Suite 500 Los Angeles, CA 90040

September 8, 1998

Angeles Chemical Co., Inc. 8915 Sorensen Ave. Santa Fe Springs, CA 90670

We have reviewed the accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1998 and the related statements of income and retained earnings and cash flow for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Angeles Chemical Co., Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The accompanying April 30, 1997 financial statements were compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed statements information that is the representation of management. We have not audited or reviewed statements 30, 1997 financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Singer, Traynor & Co.
Certified Public Accountants

BALANCE SHEETS

April 30, 1998 and April 30,1997

| ASSETS | | - " . |
|--|------------------|----------------------|
| <u></u> | Reviewed | Compiled |
| | <u>1998</u> | <u>1997</u> |
| CURRENT ASSETS | 566,590.58 | 318,101.92 |
| mark. | | |
| Assemble (Net of Bad Debts Allowances of | 1,249,139-04 | 1,480,618.61 |
| to any on and \$4 and on Respectively) - 1994 4 | 1,067,475.25 | 1,121,854.75 |
| Inventories (Lower of Cost, FIFO of Market) - 1900 | 11,029,28 | 19,715.28 |
| Due from Stallion Tank Lines, Inc. | 12,500.00 | • |
| Due from Samson Chemical Co. | 9,198.00 | • |
| Prepaid Income Taxes | 2,983.00 | • |
| Miscellaneous Receivable | 15.570.38 | 13,987.49 |
| Employee Advances | 132,524.31 | 110,870.39 |
| Deferred Charges - Schedule 2 | 3,067,009.\$4 | 3,065,148.44 |
| TOTAL CURRENT ASSETS | 3,007,003.04 | |
| FIXED ASSETS (at Cost) - Note 1 | 648,000.00 | 648,000.00 |
| Land | 101,711.00 | 101,711.00 |
| Office Trailers | 223,478.00 | 223,478.00 |
| Trucks & Autos | 863,636.00 | 844,364.00 |
| Tanks & Plant Equipment | 273,616.00 | 251,023.00 |
| Furniture & Fixtures | 368,582.00 | 36 5,599 .00 |
| Plant | 2,479,023.00 | 2,434,175.00 |
| TOTAL | 1,656,435.00 | 1,612,710.00 |
| Less: Accumulated Depreciation | 822,588.00 | 821,465.00 |
| BOOK VALUE | 872,386.00 | |
| OTHER ASSETS | <u>\$.000.00</u> | <u>6,080.00</u> |
| Deposits | | _ |
| Debrain | 3,894,597.84 | 3,292,693. <u>44</u> |
| TOTAL ASSETS | 3,05-7,0577.4 | |
| LIABILITIES AND SHAREHOL | DERS' EQUITY | |
| | | |
| CURRENT LIABILITIES | 1,409,512.94 | 1,357,045.72 |
| Accounts Payable | 147,845.76 | 171,172.31 |
| Accrued Liabilities - Schedule 2 | • | 5,983.00 |
| income Taxes Payable | 80,804.49 | 72,548.60 |
| Note Payable - Other | 5,000.00 | 7,000.00 |
| Drum Deposits | 61,242.90 | 58,497.56 |
| Term Debt - Current - Schedule 2 | 1,704,406.09 | 1,672,247.19 |
| TOTAL CURRENT LIABILITIES | - . | 627,243.14 |
| TERM DEBT-Schedule 2 | 366,000.24 | 427,243.14 |
| SHAREHOLDERS' EQUITY | | |
| T crack to to bet Aride: 1'000'000 ainter vermoner. | 3,016.60 | 3,016.60 |
| 30,166 & 30,166 Shares Issued & Outstanding Respectively | 1,621,174.91 | 1,590,186.51 |
| Retained Earning | 1,624,191.51 | 1,593,203.11 |
| TOTAL SHAREHOLDERS' EQUITY | 3,894,597.84 | 3,892,693.44 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | <u> </u> | |
| | | |

The accompanying notes are an integral part of these financial statements,

SEE ACCOUNTANT'S REVIEW REPORT.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1998 and April 30,1997

| | For the reats many its | | | | |
|------------------------------------|------------------------|---|--------------------|--------------|-----------------|
| | | Reviewed | | Compiled | |
| | • | 1998 | % | <u> 1997</u> | % |
| | • | | | | |
| | | 11,260,539.56 | | | 100.00 |
| SALES | | 8,060,860.93 | | 5,752,928.38 | 69.20 |
| LESS: COST OF SALES | | 3,199,678.63 | 28.41 | 3,006,090.08 | 30.80 |
| GROSS PROFIT | | - | | | |
| <u> </u> | | | | | |
| OPERATING EXPENSES | | 709,634.02 | 6.30 | 686,068.75 | 7.03 |
| Salarics & Wages | * | 43,599.79 | 0.39 | 44,761.23 | 0.46 |
| Compensation Insurance | : | 319,537.04 | 2.84 | 333,313.73 | 3.42 |
| Outside Labor | | 246,049.78 | 2.19 | 187,263.38 | 1.92 |
| | | 114,409.33 | 1.02 | 119,281-23 | 1.22 |
| Insurance | | 379,299.35 | 3.37 | 285,549.12 | 2.93 |
| Truck Expenses | | 340,659.92 | 3.03 | 304,497.12 | 3.12 |
| Freight Commissions | | 90,976.00 | ' | 83,841.54 | 0.86 |
| | | 127,318.55 | | 104,520.53 | 1.07 |
| Rent Repairs & Maintenance | | 44,809.65 | | 101,182.66 | |
| Plant Expense | • | 254.49 | | 1,693.60 | 0.02 |
| Tank Testing & Lab Expense | • | 33,984.50 | | 32,702.42 | |
| Auto & Travel | • | 14,562.98 | | (90.57 | |
| Bad Debts | | (212.57 | | (528.96 | (0.01) |
| Bank Charge | | 52,094.53 | - 1 | 49,955.47 | 0.51 |
| Telephone & Utilities | | 43,725.0 | | 41,743.00 | |
| Depreciation | | 61,781.1 | | 63,221.10 | |
| Payrol! Taxes | | 119,344.2 | | 81,988.50 | |
| Professional Services | | 49,568.5 | | 40,562.9 | |
| Taxes & Licenses | | 30,412.6 | | 24,277.9 | |
| Business Promotion | | 28,901.8 | | 27,233.0 | 6 0.28 |
| Office Supplies | • | 35,637.6 | | 38,187.2 | 1 0.39 |
| Computer Expense | • | 19,382.4 | | 16,074.7 | 7 0.16 |
| | • | 29,360.0 | · | 18,864.0 | 1 0.19 |
| Advertising Profit Sharing Expense | | 9,342.1 | | 9,801.1 | 0.10 |
| blott statiof exheren | | 9,763. | | 9,741.5 | 95 Q.10 |
| Employee Welfere | • | 33,492.: | | 39,969.1 | 1 0.41 |
| Dues & Subscriptions | | 9,355. | | 7,498. | |
| Equipment Rental | • | 10,789. | _ | 406.0 | 0.00 |
| Seminars & Meetings | • | 750. | - | 1,121, | 0.01 |
| Penahies | , | | _ | 2,754,701. | |
| Donations | NCE · | 3,008,584 | | | |
| TOTAL OPERATING EXPE | 467 | 191,094 | .53 1.70 | 231,300. | 02 2 |
| OPERATING INCOME | i | | |) (148,458 | .98) (1.52) |
| | Cohedula 1 | (148,579 | .13) (1 <u>.32</u> | 1 (140,450 | ,50) (11,11 |
| OTHER INCOME (EXPENSES) - | Schedule 1 | | | | .84 1.05 |
| | | 42,513 | .40 0.38 | 102,929 | .04 1.03 |
| INCOME BEFORE INCOME | TAXES | | | 10.644 | .00 <u>0.20</u> |
| · · | • | 11,52 | 7.00 <u>0.1</u> 0 | 19,540 | <u> </u> |
| Provision for Income Taxes | | | | | |
| _ | | 30,98 | | 83,383 | |
| NET INCOME TO RETAIN | ED LAKINING | 1,590,18 | 6.51 | 1,702,540 | |
| RETAINED EARNINGS - B | <u>EGIUNIUR</u> | | <u>-</u> | (195,73 | |
| LESS: SHARES RETIRED | ! | 1,621,17 | 4.91 | 1,590,18 | 6.51 |
| RETAINED EARNINGS - E | NDING | *************************************** | | | _ |
| | | | | | |

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1998 and April 30, 1997

| · - | Reviewed | Compiled ' 1997 |
|---|-------------------|---------------------|
| | <u>)998</u> | EZAL. |
| OPERATING ACTIVITIES | 30,988.40 | \$3,383.84 |
| Net Income | • | |
| Adjustments to Reconcile Net to Net Cash | | |
| Provided by Operating Activities: | - | (25,565.82) |
| Equity in Income of Affiliate | 4 <u>3,725.00</u> | 41,743.00 |
| Depreciation | 74,713.40 | 99,561.02 |
| CASH PROVIDED BY OPERATIONS | | |
| CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES: | 231,479.57 | (425,416.89) |
| Decrease (Increase) in Accounts Receivable | 54,379.50 | 106,684.14 |
| Decrease in Inventories | (21,653.92) | (20,928.10) |
| (Increase) in Deferred Charges | (17,577.89) | B32,733.72 |
| (Increase) Decrease in Other Current Assets | 1,080.00 | 6,786.51 |
| Decrease in Other Assets | 52,467.22 | (178,322.87) |
| Increase (Decrease) in Accounts Payable | (23,326.55) | 123,560.55 |
| Increase (Decrease) in Accrued Liabilities | (2,000.00) | • |
| (Decrease) in Customer Deposits | (5,983.00) | (6,028.00) |
| · · · · · · · · · · · · · · · · · · · | 268,864.93 | 439,069.06 |
| NEW CASH PROVIDED BY OPERATING ASSETS AND LINDS | 343,578,33 | 538,630.08 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| INVESTING ACTIVITIES | - | 25,565.82 |
| Distributions from Affiliate | (44,848.00) | (35,968.00) |
| Pumbag of Property, Plant & Equipment | (44,848.00) | (10,402.18) |
| NET CASH (USED) BY INVESTING ACTIVITIES | | |
| FINANCING ACTIVITIES | | (303,852.00) |
| Retirement of Common Stock | (50,241.67) | <u>(186,331,50)</u> |
| Charges Increase in Notes Payable | (50,24).67) | (490,183.50) |
| NET CASH (USED) BY FINANCING ACTIVITIES | | |
| INCREASE IN CASH AND CASH EQUIVALENTS | 248,488,66 | 38,044.40 |
| | 210 101 02 | 280,057.52 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 318,101.92 | |
| | 565,590.58 | 318,101.92 |
| CASH AND CASH EQUIVALENTS - END OF YEAR SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash Paid During the Years Ended April 30, 1998 and April 30, 1997 for: | 366,590.28 | |
| | 26.863.00 | 25,611,00 |
| Income Taxes | | 10 224 12 |
| | 46,027.74 | 48,664.16 |
| Interess | | |

OTHER INCOME (EXPENSES)

For the Years Ended April 30, 1998 and April 30, 1997

| | Reviewed | | Compiled | |
|------------------------------------|--------------|----------|----------------|--------|
| · | <u>1998</u> | <u>*</u> | <u>1997</u> | 24 |
| - v. n | - | 0.00 | 25,565.82 | 0.26 |
| Income Split - Samson Chemical Co. | 31,890.87 | 0.28 | 25,347.37 | 0.26 |
| Terminaling Charges | 14,398.66 | 6.13 | 9,461.91 | 0.10 |
| Interest Income | (59,382.27) | (0,53) | (52,616.48) | (0.54) |
| Claims Expense | | | • | 0.00 |
| Compensation Insurance Dividend | (98,978.27) | (0.88) | (92,228.82) | (0.95) |
| Contamination Proceeds (Expense) | (2,984.24) | (0.03) | (1,568.00) | (0.02) |
| Casualty Loss | (0,0000) | 0.00 | (13,982.97) | (0.14) |
| Factoring Discount | 12,303.86 | 0.11 | 226.35 | 0.00 |
| Miscellaneous Income | - | 0.00 | | 0.00 |
| Miscellaneous Expense | (46,027.74) | (0.41) | (48,664.16) | (0.50) |
| Interest Expense | | (1.32) | (148,458.98) | (1.52) |
| <u>NET OTHER (EXPENSE)</u> | (148,579.13) | لقلتنا | (1-1-1-100:54) | |

BALANCE SHEETS SCHEDULES

April 30, 1998 and April 30,1997

| | | , | | | Schedule 2 |
|------------------------------|-----|---|------------------------|---|--------------------------|
| | , ; | , | | Reviewed 1998 | Compiled <u>1997</u> |
| DEFERRED CHARGES | | | | 2,068.00 | 1,260.00 |
| Property Taxes | | | | 100,058.00 | 95,030.00 |
| Insurance | | | | 1,863.51 | 853.04 |
| Lease | , | | | 1,000.71 | - |
| Excise Tex - Fuel | | • | | 3,718.00 | 3,925.00 |
| Taxes & Licenses | | | | , ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | 661.55 |
| Employee Benefits | | | | 24,\$16.80 | 9,140.80 |
| Other | | | | • ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | • |
| Compensation Insurance TOTAL | • | | | 132,524.31 | 110,870.39 |
| ACCRUED LIABILITIES | | | | | |
| Commissions | | | | 53,172.56 | 109,326.16 |
| Compensation Insurance | | | | 3,237.77 | 1,080.98 |
| Sales Taxes | | • | | 1,720.00 | 2,790.00 |
| Claim Expense | | | | 25,000.00 | ***** |
| ESOP Contribution | · | | • | 29,360.00 | 14,364.01 |
| Payroll | | | | 20,100.43 | 18,270.16 6,000.00 |
| Professional Fees | | | | 15.255.00 | 19,341.00 |
| Other | | | | 147.845.76 | 171.172.31 |
| <u>TOTAL</u> | | | | 197.09.5.0 | |
| | | | | <u>1998</u> | • |
| • | | | <u>Current</u> | <u>Term</u> | <u>Total</u> |
| TERM DEBT - Note 5 | | | | | 194 151 76 |
| 1, Locke | | | 11,307.09 | 163,044.27 | 174,351.36 174,351.36 |
| A. Rosenthal | | | 11,307.09 | 163,044.27 | 174,351.36 |
| N. Spieler, Trustee | | | 11,307.09 | 163,044.27 | 84,852.00 |
| E.S.O.P. | | | 21,000,00 | 63,852.00 | 19,337.06 |
| Jaguar Credit Corp. | | | <u>6.321.63</u> | 13,015.43 566,000.24 | 627.243.14 |
| <u>TOTAL</u> | | | 61,242,90 | | |
| | | | | <u>1997</u> | \ |
| | | | Current | <u>Term</u> | <u>Total</u> |
| TERM DEBT - Note 5 | | | | 184 221 44 | 184,843.89 |
| J. Locke | | | 10,492.53 | 174,351,36 | 184,843.89 |
| A. Rosenthal | • | | 10,492.53 | 174,351.36 174,351.36 | 184,843.89 |
| N. Spieler, Trustee | | | 10,492.53 21,000.00 | 84,852.00 | 105,852.00 |
| E.S.O.P. | | | 6.019.97 | 19,337.06 | 25.357.03 |
| Jaguar Credit Corp. | | | 58.497.56 | 627.243.14 | 685,740,70 |
| <u>TO</u> TAL | | | | | |

NOTES TO FINANCIAL STATEMENTS

April 30, 1998

Note 1 - Summary of Significant Accounting Policies

General - The Company is a reseller/ distributor of liquid industrial and consumer product chemicals used in coating and other processes.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory - Chemicals (raw materials and finished goods), components and drums are priced at the lower of cost (fifo) or market.

| | <u>199</u> 7 | 1996 |
|-------------------|--------------|----------------------------|
| Finished Products | 460,944.92 | 281,009.65 |
| Raw Materials | 358,926.22 | 597,544.02 |
| Components | 237,586.11 | 233,283.08 |
| Drums | 10.018.00 | <u> 10.018.00</u> |
| TOTALS | 1.067,475,25 | <u>1,121,854.75</u> |

Property, Plant and Equipment

Property, plant and equipment are depreciated on the straight line, declining balance, ACRS and MACRS methods for financial statement purposes and for tax purposes over the following useful lives:

| • | | <u>Life</u> |
|---------------------------|---|-------------|
| Machinery & Equipment | | 5 - 7 Years |
| | | 5 Years |
| Vehicles | | |
| Office Equipment | | 5 - 7 Years |
| | | 5 - 7 Years |
| Data Processing Equipment | , | • |
| | | 31.5 Years |
| Leasehold Improvements | | |

NOTES TO FINANCIAL STATEMENTS

<u> April 30, 1998</u>

An applysis of the depreciable assets and respective accumulated depreciation is as follows:

| An analysis of the depreciable as | sets and respective | Accumulated | ROOK |
|-----------------------------------|---------------------|---------------------|-------------------|
| | Cost | <u>Depreciation</u> | <u>Value</u> |
| 1997 | | 0.00 | 648,000.00 |
| Land | 648,000.00 | 0.00 | |
| Office Trailers | 101,711.00 | 97,704.00 | 4,007.00 |
| Trucks and Autos | 223,478,00 | 187,110.00 | 36,368.00 |
| Tanks and Plant Equipment | 863,636.00 | 802,123.00 | 61,513.00 |
| Furniture and Fixtures | 273,616.00 | 241,967.00 | 31,649.00 |
| Plant | 368,582.00 | <u>327,531.00</u> | <u>41,051,00</u> |
| TOTALS | 2,479,023.00 | <u>1,656,435.00</u> | <u>822,588.00</u> |
| | , | Accumulated | Book |
| • | <u>Cost</u> | Depreciation | <u>Value</u> |
| <u>1996</u> | 648,000.00 | 0.00 | 648,000.00 |
| Land | 101,711.00 | 97,022.00 | 4,689.00 |
| Office Trailers | 223,478.00 | 172,668.00 | 50,810.00 |
| Trucks and Autos | 844,364.00 | 784,216.00 | 60,148.00 |
| Tanks and Plant Equipment | 251,023.00 | 233,778.00 | 17,245.00 |
| Furniture and Fixtures | | 325,026.00 | 40,573.00 |
| Plant | <u>365.599.00</u> | 1,612,720.00 | 821.465.00 |
| <u>TOTALS</u> | <u>2,434,175.00</u> | 1,014,720.00 | <u>541.405.00</u> |

Depreciation for financial statement purposes amounted to \$43,725.00 and 41,743.00 in 1998 and 1997, respectively.

Costs of maintenance and repairs, including minor betterments, are charged to income as costs are incurred.

Income Taxes

An analysis of the provision for income tax is as follows:

| • | | <u> 1997</u> | <u> 1996</u> |
|---------|---|--------------|--------------------|
| Federal | | \$10,273.00 | \$15,213.00 |
| State | • | 1.254.00 | <u>\$ 4.333.00</u> |
| TOTAL | | \$11.527.00 | <u>\$19.546.00</u> |

NOTES TO FINANCIAL STATEMENTS

April 30, 1998

Note 2 - Accounts Receivable - The aging of accounts receivable are as follows:

| <u>1100 8 1100</u> | <u>1998</u> | <u>1997</u> |
|---|---|--|
| Current 31-60 Days 61-90 Days Over 90 Days | 837,407.85 389,692.42 26,970.82 51,670.14 (51,602.19) | 721,484.92 561,392.12 139,543.20 86,157.97 (22,959.60) |
| Cash On Account Sub-Total Less: Allowance for Doubtful Accounts NET ACCOUNTS RECEIVABLE | 1,254,139.04 (5,000.00) 1,249,139.04 | 1,485,618.61 (5,000.00) 1,480,618.61 |

As of January 31, 1997 the company purchased and retired all of the common stock ownership Note 3 - Retirement of Stock interest (20,000 Class A shares) and the ESOP stock (3,899) owned by Robert O. Berg for the sum of \$198,000.00 and \$105,852.00 respectively.

Note 4 - Commitments & Contingencies

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of April 30, 1998.

| Year Ending April 30,: | 158,710.80 |
|------------------------------------|------------|
| 1999 | 96,657.68 |
| 2000 | 94,948.73 |
| 2001 | 82,505.40 |
| 2002 | 52,497.00 |
| 2003 | 180,000.00 |
| Later Years TOTAL MINIMUM PAYMENTS | 665,319.61 |

NOTES TO FINANCIAL STATEMENTS

April 30, 1998

Rent expense for financial statement purposes amounted to \$90,976.00 and \$83,841.54 in the years ended April 30, 1998 and 1997, respectively.

Note 5 - Term Debt

The Company long term debt at April 30, 1998 and April 30, 1997 consists of the following:

| - · · · · · · · · · · · · · · · · · · · | <u> 1998</u> | <u> 1997</u> |
|--|-------------------------|------------------|
| Note Payable- John Locke, the principal shareholder. Monthly Payments of \$2,000.00, with interest at 7.50%. Secured by deed of Trust. | 174,351.36 | 184,843.89 |
| Note Payable- Arnold Rosenthal. Monthly Payments of \$2,000.00, with interest at 7.50%. Secured by deed of Trust. | 174,351.36 | 184,843.89 |
| Note Payable- Norman M Spieler. Monthly Payments of \$2,000.00, with interest at 7.50%. Secured by deed of Trust. | 174,351.36 | 184,843.89 |
| Note Payable- E.S.O.P., Yearly Payments of \$21,000.00, a non interest bearing note. | 84,852.00 | 105,852.00 |
| Note Payable- Jaguar Credit Corp. Monthly Payments of \$594.03, with interest at 4.90%. | <u>19.337.06</u> | <u>25,357,03</u> |
| TOTAL Less: Current Maturities | 627,243.14 61,242.90 | |
| TERM DEBT | <u>566.000,24</u> | 627,243.14 |

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NOTES TO FINANCIAL STATEMENTS

April 30, 1998

As of April 30, 1998 the current maturities of long term debt for the five years ending April 30, were as follows:

| 1999 | ; | 64,192,99 |
|-------------|----------|-------------------|
| 2000 | • | 66,769.51 |
| 2001 | | 64,302.60 |
| 2002 | <u> </u> | 45,746.22 |
| 2003 | • | 49,297.53 |
| Later Years | | <u>275.691.39</u> |
| | | <u>566.000.24</u> |

Note 6 - Concentration of Credit Risks

The Company maintains its cash in bank deposit accounts at a high quality financial institution. The balances, at times, may exceed federal insured limits. At April 30, 1998 the Company exceeded the limit by approximately \$466,590.58.

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| FROM: MARK Schotilly PHONE: FAX: 415 - 362-6492 PHONE: PHONE: FAX: 415 - 362-6492 PHONE: FAX: 415 - | RE: ユョックス いっていれて、CC: Number of pages including cover sheet: | RE: ユョックス いっていれて、CC: Number of pages including cover sheet: | S H E E T | SINGER TRAYMOR & CO. Geriffed Abolic. Grombanis |
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BALANCE SHEETS

April 30, 1998 and April 30,1997

ASSETS

| | 1998 | <u> 1997</u> |
|--|------------------------------|----------------------------|
| CURRENT ASSETS Cash | | |
| Accounts Receivable (Net of Bad Debts Allowances of | 563,242.23 | 318,101.92 |
| \$5,000.00 and \$5,000.00 Respectively) | 1 740 170 04 | 1.400.710.71 |
| Inventories (Lower of Cost, FIFO or Market) | 1,249,139.04 1,067,475.25 | 1,480,618.61 |
| Due from Stallion Tank Lines, Inc. | 11,029.28 | 1,121,854.75 |
| Due from Samson Chemical Co. | 12,500.00 | 19,715.28 |
| Prepaid Income Taxes | 15,007.00 | - |
| Miscellaneous Receivable | 2,983.00 | - |
| Employee Advances | 15,570.38 | 13,987,49 |
| Deforred Charges - Schedule 2 | 134,289.83 | 110,870.39 |
| TOTAL CURRENT ASSETS | 3,071,236.01 | 3,065,148.44 |
| FIXED ASSETS (at Cost) | | |
| Land | 648,000.00 | 648,000,00 |
| Office Trailers | 101,711.00 | 101,711.00 |
| Trucks & Autos | 223,478.00 | 223,478.00 |
| Tenks & Plant Equipment | 863,636.00 | 844,364.00 |
| Furniture & Pixtures | 273,616.00 | 251,023.00 |
| Plant | 368,382.00 | 365,599.00 |
| TOTAL | 2,479,023.00 | 2,434,175.00 |
| Less: Accumulated Depreciation | 1,656,435.00 | 1,612,710.00 |
| BOOK VALUE | 822,588.00 | 821,465.00 |
| OTHER ASSETS | | |
| Plant TOTAL Less: Accumulated Depreciation BOOK VALUE OTHER ASSETS Deposits Investment in Sunson Chemical Co. | 5,000.00 | 6,080.00 |
| TOTAL OTHER ASSETS | 5,000.00 | 6,080.00 |
| IOTAL ASSETS | 3,898,824.01 | 3,892,693.44 |
| LIABILITIES AND SHAREHOLDERS | EOUTTY | |
| CURRENT LIABILITIES | | |
| Accounts Payable | 1,409,512.94 | 1 367 646 03 |
| Acorued Liabilities - Schedule 2 | 137,463.71 | 1,357,045,72 177,808.30 |
| Income Taxes Payable | 137,403.77 | 3,556.00 |
| Note Payable - Bank of Whittier | - | 3,330.00 |
| Note Payable - Other | 80,804,49 | 72,548.60 |
| Drum Deposits | 5,000.00 | 7.000.00 |
| Term Debt - Current - Schedule 2 | 40,242.90 | 37,497.56 |
| TOTAL CURRENT LIABILITIES | 1,673,024.04 | 1,655,456.18 |
| TERM DEBT -Schedule 2 | 502,148.24 | 542,391.14 |
| CHADDINI NEDO ENTINO | | |
| SHAREHOLDERS' EQUITY Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; | | |
| 34.065 & 54.065 Shares Issued & Outstanding Respectively | 3 464 50 | - 107 4+ |
| Paid-In Capital | 3,406,50 | 3,406.50 |
| Retained Barning | 105,723.80 1,614,521.43 | 105,723.80 |
| TOTAL SHAREHOLDERS' EQUITY | | 1,585,715.82 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | 1,723,651.73 | 1,694,846.12 |
| TATAM MADIETTES & SHAREHOLDERS, FOULLA | 3,898,824.01 | 3,892,693.44 |

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1998 and April 30,1997

| | <u>1998</u> | <u>%</u> | <u> 1997</u> | % |
|--|---|---------------|------------------------------|---------------|
| SALES | 11,261,739.54 | 100.00 | 0.050.010.45 | |
| LESS: COST OF SALES | 8,060,860.93 | 71.58 | 9,759,018.46 6,752,928.38 | 100.00 |
| GROSS PROPIT | 3,200,878.61 | 28.42 | | 72.06 |
| A CONTRACTOR OF THE CONTRACTOR | 3,200,678.01 | 20.42 | 3,006,090.08 | <u> 27.94</u> |
| OPERATING EXPENSES | | | | |
| Salaries & Wages | 709,634.02 | 6.30 | 686,068.75 | 8,19 |
| Compensation Insurance | 42,777.72 | 0.38 | 44,761.23 | 0.41 |
| Outside Labor | 319,537.04 | 2.84 | 333,313.73 | 2.99 |
| Insurance | 246,049.78 | 2.18 | 187,263.38 | 1.80 |
| Truck Expenses | 114,409.33 | 1.02 | 119,281.23 | 2.20 |
| Freight | ~379,299.35 | 3.37 | 285,549.12 | 2.35 |
| Commissions | 340,659.92 | 3.02 | 304,497.12 | 2.09 |
| Rent | 90,976.00 | 0.81 | 83,841.54 | 1.12 |
| Repairs & Maintenance | × 127,318.55 | 1.13 | 104,520.53 | 1.71 |
| Plant Expense | 44.809.65 | 0.40 | 101,182.66 | 1.62 |
| Tank Testing & Lab Expense | 254.49 | 0.00 | 1,693.60 | 0,00 |
| Auto & Travel | 33,984.50 | 0.30 | 32,702.42 | 0.30 |
| Bad Debts | 14,562.98 | 0,13 | (90.57) | 0.32 |
| Bad Debts Bank Charge Telephone & Utilities Depreciation Payroll Taxes Professional Services Taxes & Licenses Business Promotion Office Supplies | (212.57) | (0.00) | (528.96) | (0.00) |
| Telephone & Utilities | 52,094.53 | 0.46 | 49,955.47 | 0.60 |
| Depreciation | 43,725.00 | 0.39 | 41,743,00 | 0.59 |
| Payroll Taxes | 61,781.10 | 0.55 | 63,221.10 | 0.80 |
| Professional Services | 119,344.26 | 1.06 | \$1,988.50 | 0.79 |
| Taxes & Licenses | 49,568.57 | 0.44 | 40,562.96 | 0.72 |
| Business Promotion (CON) | 30,412.68 | 0.27 | 24,277.97 | 0.46 |
| Office Supplies | 28,901.85 | 0.26 | 27,233.06 | 0.44 |
| Computer Sapense | 35,637,67 | 0,32 | 38,187.21 | 0.53 |
| Advertising | 19,382.48 | 0.17 | 16,074.77 | 0.08 |
| Profit Sharing Expense | 35,364.01 | 0.31 | 25,500.00 | 0.09 |
| Employee Welfare | 9,342.15 | 0.08 | 9,801.10 | 0.14 |
| Dues & Subscriptions | 9,763.56 | 0.09 | 9,741.95 | 0.14 |
| Equipment Rental | 34,053.27 | 0.30 | 39,969 .11 | 0.47 |
| Seminars & Meetings | 9,355.87 | 0.08 | 7,498_24 | 0.10 |
| Penalties | 10,634.05 | 0.09 | 3 99 .03 | 0.00 |
| Donations | 750.00 | 0.01 | 1,121.00 | <u>0.01</u> |
| TOTAL OPERATING EXPENSE | - 3,014,171.81 | <u> 26.76</u> | 2,761,330.25 | 31.18 |
| <u>OPERATING INCOME (LOSS)</u> | 186,706.80 | 1.66 | 244,759.83 | (3.37) |
| OTHER (EXPENSES) INCOME - Schedule 1 | (149,601.19) | /t 33) | (1AT ASS OF) | 9 61 |
| | (145,001.15) | [(12) | (148,458.98) | 8.61 |
| INCOME BEFORE INCOME TAXES | 37,105.61 | 0.33 | 96.300.85 | 5.24 |
| Provision for Income Taxes | 8,300.00 | <u>0.07</u> | 17,126.00 | 0.19 |
| NET INCOME TO RETAINED EARNINGS | 28,805.61 | 0.26 | 79.174.85 | 1.06 |
| RETAINED EARNINGS - BEGINNING | 1,585,715.82 | | 1,702,540.97 | |
| LESS: SHARES RETIRED | | | (196,000.00) | |
| RETAINED EARNINGS - ENDING | 1,614,521,43 | | 1,585,715.82 | |
| | *************************************** | | -,, | |

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1996 and April 30, 1997

| | <u> 1998</u> | <u> 1997</u> |
|--|--------------|--------------|
| | | |
| OPERATING ACTIVITIES | 28 AAA 44 | |
| Net Income | 28,805.61 | 79,174.85 |
| Adjustments to Reconcile Net to Net Cash Provided by Operating Activities: | | |
| Equity in Income of Affiliate | | (25,565.82) |
| Depreciation | 43,725,00 | 41,743.00 |
| CASH PROVIDED BY OPERATIONS | 72,530.61 | 95,352.03 |
| Cusa Legalitors professions | 72,330.01 | 77,032.03 |
| CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES: | | |
| Decrease (Increase) in Accounts Receivable | 231,479.57 | (423,416.89) |
| Decrease in Inventories | 54,379.50 | 106,684.14 |
| (Increase) in Deferred Charges | (23,419,44) | (20,928.10) |
| (Increase) Decrease in Other Current Assets | (23,386.05) | 832,733.72 |
| Decrease in Other Assets | 1,080,00 | 6,786.51 |
| (Decrease) Increase in Accounts Payable | 52,467.22 | (178,322.87) |
| Decrease in Other Assets (Decrease) Increase in Accounts Payable Increase in Accrued Liabilities Increase in Customer Deposits (Decrease) Increase in Income Tax Payable | (40,344.59) | 130,196.54 |
| Increase in Customer Deposits | (2,000.00) | • |
| (Decrease) Increase in Income Tax Payable | (3,556.00) | (8,455.00) |
| NET CASH PROVIDED (USED) BY OPENATING AND LIABILITIES | 246,700.21 | 443,278,05 |
| NET CASH PROVIDED (USED) BY OPERATION ACTIVITIES | 319,230,82 | 538,630.08 |
| - Q - Q | | |
| INVESTING ACTIVITIES \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ | | |
| Distributions from Affiliate | • | 25,565.82 |
| Purchase of Property, Plant & Equipment | (44,848.00) | (35,968.84) |
| NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES | (44,848.00) | (10,403.02) |
| | | |
| FINANCING ACTIVITIES | | |
| Retirement of Common Stock | _ | (192,000.00) |
| (Decrease) Increase in Notes Payable | (29,241.67) | (292,183.50) |
| NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES | (29,241.67) | (490,183.50) |
| | (25)241101 | (454)144154) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 245,141.15 | 38,043,56 |
| | 2.010.000 | |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 318,101.08 | 280,057.52 |
| | | |
| CASH AND CASH EQUIVALENTS - END OF YEAR | 563,242.23 | 315,101.05 |
| | | |
| : | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash Paid During the Years Ended April 30, 1997 and April 30, 1996 for: | | |
| | + + + - + | |
| Income Texes | 26,863.00 | 25,611.00 |
| T-d | 46,027.74 | 48,664,16 |
| Interest | 40,047.74 | 70,007.10 |

The accompanying notes are an integral part of these financial statements. SEE ACCOUNTANT'S REVIEW REPORT.

OTHER INCOME (EXPENSES)

For the Years Ended April 30, 1998 and April 30, 1997

| | 1998 | <u>%</u> | 1997 | 36 |
|---|--------------|----------|--------------|----------------|
| Income Split - Samson Chemical Co. | • | 0.00 | 25,565.82 | 0.26 |
| Terminating Charges | 31,890.57 | 0.28 | 25,347,37 | 0.26 |
| Interest Income | 13,576.60 | 0.12 | 9,461.91 | 0.10 |
| Claims Expense | (59,382.27) | (0.53) | (52,616.48) | |
| Compensation Insurance Dividend | (33,302.27) | (0.55) | (25/010:40) | (0.54) 0.00 |
| Contamination Proceeds (Expense) | (98,978.27) | (0.88) | | |
| Casualty Loss | (2,984.24) | (0.03) | (92,228.82) | (0.95) |
| Factoring Discount | (4.704.44) | • • | (1,568.00) | (0.02) |
| Miscellaneous Income | 10 202 06 | 0.00 | (13,982,97) | (0.14) |
| Miscellaneous Expense | 12,303.86 | 0.11 | 226.35 | 0.00 |
| Interest Expense | | 0.00 | • | 0.00 |
| • | (46,027,74) | (0.41) | (48,664.16) | (0.50) |
| NET OTHER (EXPENSE) INCOME | (149,601.19) | (1.33) | (148,458.98) | (1.52) |



BALANCE SHEETS SCHEDULES

April 30, 1998 and April 30,1997

| | | • | Schedule 2 |
|---------------------------------------|--|---|---------------------------------------|
| | | <u>1998</u> | <u>1997</u> |
| DEFERRED CHARGES | | | |
| Property Taxes | | 2,068.00 | 1,260.00 |
| Insurance | | 100,058.00 | 95,030.00 |
| Lease Excise Tex - Fue! | | 1,302.74 | \$53.04 |
| Taxes & Licenses | | - | • |
| Employee Benefits | | 3,718.00 | 3,925.00 |
| Other | Appendix N | 2,326.29 | 661.55 |
| Compensation Insurance | · · · · · · · · · · · · · · · · · · · | 24,816.80 | 9.140.80 |
| TOTAL | | 174 390 65 | |
| | A SON | 134,289.83 | 110,\$70.39 |
| · · · · · · · · · · · · · · · · · · · | TERRAL USE ONLY |) | |
| And the second second | C EN HE IN CHILLY | | |
| ACCRUED LIABILITIES | The Market of the Contraction of | | |
| Commissions | E ME OF OR | 53,172.56 | 109,326,16 |
| Compensation Insurance | LE KING TO THE STATE OF THE STA | 2,415.70 | 1,080.98 |
| Sales Taxes | | 1,720.00 | 2,790.00 |
| Claim Expense | No. local and | 25,000.00 | • |
| BSOP Contribution | <i>*</i> | 21,000.00 | 21,000.00 |
| Payroll Professional Pees | | 20,100.43 | 18,270.16 |
| Other | | • | 6,000.00 |
| TOTAL | , | 14.055.02 | 19.341.00 |
| | | 137.463.7) | <u> 177,808,30</u> |
| | _ | <u>1998</u> | |
| TERM DEBT | Current | Term | <u>Total</u> |
| J. Locke | 11,307.09 | 163,044.27 | 1943014 |
| A. Rosenthal | 11,307.09 | 163,044.27 | 174,351.36 174,351.36 |
| N. Spieler, Trustee | 11,307.09 | 163,044.27 | 174,351.36 |
| Jaguar Credit Corp. | 6,321,63 | 13.015.43 | 19.337.06 |
| <u>TOTAL</u> , | 40.242.90 | 502.148.24 | 542.391.14 |
| | | 1 20 1 20 20 20 20 20 20 20 20 20 20 20 20 20 | |
| · | | <u> 1997</u> | |
| TPALS NAME | <u>Current</u> | Torm | Total |
| TERM DEBT J. Locke | 45.450 | | |
| A. Rosenthai | 10,492.53 | 174,351,36 | 184,843.89 |
| N. Spicker, Trustee | 10,492.53 10,492.53 | 174,351.36 | 184,843.89 |
| Jaguar Credit Corp. | 6.019.97 | 174,351.36 19.337,06 | 184,843,89 |
| TOTAL | 37.497.56 | | <u>25,357.03</u> <u>579.888.70</u> |
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III. THE COMPANY

History

Angeles Chemical is a resale/distributor of liquid industrial and consumer product chemicals used in coating and other processes. Specifically, the Company sells commercial solvents and packages paint thinner and finishes for the consumer/retail market. Commercial gross margins are over fifty percent better than those for solvents. Anchem's consumer/industrial sales mix is about 70/30.

From their peak in fiscal 1982 at \$16.8 million, Company dollar sales fell 61% to a low of \$6.6 million in fiscal 1995. Physical volume declined even more because of periodic price increases. The 15-year sales drop reflected the loss of major accounts as many commercial customers moved out of Southern California or changed their supplier source away from Southern California. The ever-increasing environmental regulations in Greater Los Angeles have created an expensive and difficult operating circumstance for chemical processors and distributors and their customers. The 1990-93 recession in the region was also a depressing factor. Management continues to emphasize loss environmentally sensitive consumer products. In fiscal 1997, sales increased to \$9.6 million, the first upper since the 1980s.

In 1996, Anchem had about 70 active industrial customers and 400 in packaging. Most are located in Southern California. Ellis Paint Company, owned by Robert Berg, a retired Anchem officer and former shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals — propylene, glycol, toluene, ethylenc glycol, acetone, mineral spirits and alcohols. These are forios of petroleum distillatos which are purchased from Shell. Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and four above ground tanks (old milroad tank sure): one of 10,000 gallons capacity and three of 5,000 gallons departs and some of the storage tanks are not now used given the decline in sales and volume since the 1980s.

In 1996, Anchem had 26 full-time employees.

Anchem carries a \$2 million product liability insurance policy.

(Note: Management did not provide Brainstedt & Associates with certain 1997 updated statistical and operational information. The appraisor does not believe this ommission affects the valuation conclusion herein.)

Company Facilities and Property

Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The land, structures and improvements are Company-owned. On January 1, 1994, title for the 1.8 acre land parcel was transferred from a partnership of the three founding and two then current shareholders to the Company in consideration of three equal 14-year \$216,000 notes (aggregating \$648,000) paying 7.5% annual interest. The total yearly

From :

Sep. 10. 1998 11:31 AM

principal and interest payments of \$72,000 equal the former rent paid to the partnership and the transaction was therefore cash flow neutral to Anchem (on a pretax basis).

The land transfer price was determined by the three parties on other than an arm's-length "third party" negotiated basis and which basis was not specifically disclosed to the appraisor. In November 1996, a "limited appraisal" of the real property was prepared by Thomas M. Pike, Jr., MAI. Mr. Pike rendered an opinion of value of \$535,000 to \$625,000 assuming a market exposure of 6 to 12 months. This valuation assumed the property was not encumbered with environmental problems and clean-up costs. Based on his observations and discussion with Mr. Pike and SCS Engineers, Anchem's environmental consultant, the appraiser believes property ownership could be deemed transferable to a third party at market value after the removal of underground storage tanks, contaminated soil, etc. has been completed and appropriate regulatory agency certification is received. As of the appraisal date, the fair market value of the property is significantly impaired and is well below the \$648,000 stated book value. This circumstance is reflected in the valuation conclusion.

In addition to its Santa Pe Springs facility, Anchem rents warehouses in Santa Pe Springs for decorating containers and in El Monte for distribution.

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On March 31, 1991, Anchem entered into a five and a half year agreement with Saramon, Isc., dba Sarason Chemical Co., to operate on a joint venture basis for five years beginning October 1, 1991. Under the agreement, on September 30, 1996 Sarason ceased operations and transferred to Anchem its distributor relationships and its business and customer accounts. For the first half of fiscal 1997, or to the transfer date of September 30, 1996, Sarason had sales of \$1.09 million and a profit of \$51,132, of which Anchem's share was \$25,563, and is treated as other income.

Anchem also has a distribution agreement with Bast Bay Oil, a Northern California chemical distributor, and a Riceritz wavehouse to further broaden its contensor, business and geographic base and replace lost sales in the Los Angeles Basin.

Management and Ownership

The Company senior management as of April 1997 consisted of:

| Officer. | Title | <u>Joined Co.</u> | Age |
|---------------------------|--|-------------------|----------|
| John Looks James Looks | President, CEO Operations Menager Capality 24, Na. | 1971 1985 | 70 33 |

The Board of Directors consists of John Locke and Acroid Rosential

-JAMES LOCKE

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As of April 30, 1997 there were 20,000 Class A and 10,166 Class B common shares outstanding (excluding treasury stock) as follows:

| <u>Holder</u> | Number of Shares | _ |
|-----------------------------|---|----------|
| John Locks BSOP Total | 20,000 A shares 66.3 10,166 B chares 33.7 30,166 A&B chares 100.0 | <u>'</u> |

Class A common stock is voting and Class B is nonvoting. Otherwise, the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraisers or by Bramstedt & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues. By reason of the Berg stock buyback (discussed below), John Locke has obtained a control share ownership position at 66.3% of the 30,166 A and B shares now outstanding, which were reduced by 44% or 23,899 shares during fiscal year 1997.

Robert Berg Retirement and Transaction

As of January 31, 1997, Company founder, Director and Secretary-Treasurer Robert Berg retired from his Company positions and:

Sold his 20,000 Class A common shares to the Company for \$198,000 cash and a \$480,000 ten-year consulting agreement payable at the rate of \$4,000 per month beginning February 15, 1997 and ending January 5, 2006. The 20,000 A shares were retired by the Company. For valuation purposes, the \$468,000 face amount remaining on the consulting agreement at April 30, 1997, an off-balance sheet item, is discounted to a present value of \$355,000 at April 30, 1997.

Portes Mudery

Sold his 3,899 ESOP Class B common shares to the Company for \$27.15 per share (the April 30, 1996 ESOP fair market value) in exchange for a Company no-interest promissory note of \$105,852 payable in five equal annual installments of \$21,170 beginning December 7, 1997 and ending December 7, 2001. The 3,899 B shares were retired. For valuation purposes, the face amount of \$105,652, also an off-balance sheet item, is discounted to a present value of \$74,000 as of April 30, 1997.

84852

Environmental Issues Update

The valuation studies for the fiscal years ended September 1989 through 1992 discuss in detail the regional agencies which regulate Anchom's operating and environmental activities. According to management and SCS Engineers, its environmental consultant, as of April 30, 1997 the Company had no environmental agency violations or citations.

However, beginning in fiscal 1993 and continuing into fiscal 1998, Anchem and SCS are working with the California EPA on its on-site program to investigate for possible groundwater contamination relating to an adjacent California Super Fund site (McKesson property). In this connection, Anchem incurred state fees and incremental services from SCS.

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The prior reports discuss testing and related work for soil and groundwater contamination continually undertaken by the Company and SCS since 1989 which so far have found soil and ground water problems which have not been completely characterized. No major remedial work - Reflects has yet been undertaken. Anchem is required by the California EPA to start replacing its underground tanks by December 1998. In August 1996, Anchem received a preliminary cost estimate for tank pull and replacement contaminated soil removal and ground water remodiation from Bio Base Remediation Co., Inc. of Newport Beach, California of \$624,640 as follows: They will be closing tanks permantently & converting to executing constrainment.

New Tente (18)

- New Tanks (16) 4 20,000 golden - Remediation/Related Work

Total Ratimate

No timeframe was given for this work, nor is a specific funding source indicated by the Company. Financing could be available from borrowing and from operating cash flow over time; however, there is no assurance that Anchem will be able to fund this program in a reasonable time period. Also, some reimbursement may be available from the State of California. By interpolation, the estimated cost to render the property "marketable" would be about \$400,000 (\$625,000 less \$230,000 for new tanks).

By its business nature, Anchem continues to incur logal, testing, remedial and consultant costs. The appraiser does not believe the Company has been able to pass these costs, which have become material, through to its customers, thereby impacting profit margins. SCS consulting costs have fluctuated but in fiscal 1997 averaged \$8,000 a month. SCS worked with management and counsel on the S&J suit.

Beginning in Jamuary 1995. Anchem is participating, as required by its major supplier contracts, in a comprehensive storage, operational, health, safety, environmental and emergency response program called "Responsible Distribution Process" created by the National Association of Chemical Distributors, who will sponsor on-site audits. A full-time compliance and safety officer reports to Operations Manager Jim Locke. Employee training for RDP is required. There have been incremental costs for implementing the program.

Ongoing environmental encumbrances on Anchem's business and profits have been reflected in the valuation conclusions since fiscal 1989.

Suencer & Jones (S&J) Litigation Award

As discussed in the April 30, 1996 Brimstedt & Associates, Inc. ESGP valuation report, in April 1996 Anchem received a cash litigation settlement from S&J of \$640,000. This event was reflected on the April 30, 1996 balance sheet under current assets as "due from litigation -**\$640,00**0.

During fileat 1997, the bulk of these funds were employed to pay off \$232,000 of bank and other notes and as a \$198,000 cash payment on the repurchase of 20,000 A common shares from Robert Berg. The residual \$150,000 was used toward general working capital applications such as a

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TO: ERIC BRAMSTED

PHONE: FAX: 416-362-6492

FROM: 49NA -116

PHONE: FAX:

BP/84/PE

RE: ANGELES CHEMICAL

CC:

Number of pages including cover sheet: 13

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Member Stany AMERICAN INSTITUTE OF CERTIFIED FURCID ACCOUNTANTS and CALIFORNIA SOCIETY OF LERTIFIED FURCID ACCOUNTANT AND CALIFORNIA SOCIETY AND CALIFORNIA SOCIETY ACCOUNTANT AND CALIFORNIA SOCIETY ACCOUNTANT AND CALIFORNIA SOCIETY ACCOUNTANT AND CALIFORNIA SOCIETY ACCOUNTANT AND

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BRAMSTEDT

and Associates Incorporated Financial Consulting Business Valuations Financial Analysis

Evaluation
of the
Common Stock
of
ANGELES CHEMICAL CO.
as of
April 30, 1997

Prepared by: Bramstedt & Associates, Inc. December 1997

2402 Vista Del Mar Lane. Tiburon, CA 94920-1208. Tel 415-435-9438. Fax 415-435-9438. 114 Sansome St., Suite 808. San Francisco, CA 94104-3818. Tel 415-362-9900. Fax 415-362-6492.

BRAMSTEDT

and Associates Incorporated
Financial Consulting
Business Valuations
Financial Analysis

December 31, 1997

CONFIDENTIAL

Employee Stock Ownership Plan Administrative Committee Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Attn: Mr. John Locke

Gentlemen:

You have requested we establish the fair market value of the common stock of Angeles Chemical Co. for Employee Stock Ownership Plan (ESOP) purposes as of April 30, 1997.

Our evaluation places a fair market value of \$974,758 on the common stock of Angeles Chemical Co. as of April 30, 1997. Based on 30,166 A and B common shares outstanding, the value per share is \$32.30. This evaluation is derived from a modified adjusted book value approach and is discounted 10% for restricted marketability. The valuation conclusion was transmitted to John Locke on December 16, 1997.

The valuation report was prepared by Bramstedt & Associates, Inc. as a subcontractor to Sansome Street Appraisers, Inc.

Earnings prospects can change, as can the general economic climate. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

Very truly yours,

BRAMSTEDT & ASSOCIATES, INC.

Ein m. Bentalt

Eric M. Bramstedt, CFA

President

EMB:ew enclosure

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| Ш | The Company | 7 |
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| v | Conclusion | 21 |
| Appendix I | Financial statements as of April 30, 1997 | |
| Appendix II | Qualifications of Bramstedt & Associates, Inc. | |

I. <u>INTRODUCTION AND SUMMARY</u>

The Administrative Committee of the Angeles Chemical Company, Inc. Employee Stock Ownership Plan has requested that we evaluate the common stock of Angeles Chemical Company, Inc. ("Angeles Chemical," "Anchem" or the "Company") as of plan year end April 30, 1997 in order to determine the minority interest fair market value of the Company's common stock for annual Employee Stock Ownership Plan (ESOP) reporting purposes and for use in common stock transactions involving the Company's ESOP.

At April 30, 1997, Anchem's ESOP owned all 10,166 B common shares of Company common stock (33.7% of the A and B common stock). During fiscal 1997, Anchem made a \$25,500 cash ESOP contribution.

Company Overview

Anchem is a closely held corporation with no present market for its common stock. It is a regional Southern California liquid chemical distributor whose products are used in industrial, commercial and retail/consumer applications. Sales in fiscal 1997 rose 41.9% year-to-year to \$9.76 million (the first real sales increase since the early 1990s). The long-term low sales point was \$6.6 million in fiscal 1995 after having been stable at about the \$8 million level for fiscal years 1990-1993. Sales in the mid-1980s were \$12-\$14 million. Following several years of operating losses in the 1990s, the Company reported a net profit of \$348,000 in fiscal 1996 on a \$542,000 (net) cash litigation settlement. In fiscal 1997 Anchem recorded its first operating profit in the 1990s of \$245,000 and net income of \$79,000. The 1996 Spencer & Jones litigation settlement liquified the Company's balance sheet and provided the economic resources to repurchase and retire outstanding shares from a retiring stockholder and pay off bank debt. As of the report date, the Company is forecasting a fiscal 1998 sales increase and operating and net profits.

Soil and underground water contamination conditions at Anchem's plant are continuously being monitored and tested, which has required significant on-going testing and other expenses. As of April 30, 1997 no major new environmental liability or remedial responsibility had been revealed, although the Company will have to replace its underground storage tanks and conduct remedial work before the end of the decade at a considerable estimated cost.

Like all chemical processors, Anchem and its customers have faced substantial environmental regulations and enforcement in the Los Angeles Basin. As indicated above, these have seriously impacted Anchem's industrial business base and combined with the 1990-1993 California recession caused Anchem's sales to drop 20% in the early 1990s and the incurrence of operating losses in 1992-1996.

Given the operating loss history, the ESOP valuation for several years has been prepared on an asset rather than income basis. An adjusted book value approach has been employed since April 30, 1994 and is again being employed at April 30, 1997. The Company's financial position has included a large (shareholder) long-term note since January 1, 1994 and as of April 30, 1997 also reflects a former shareholder consulting agreement and an ESOP stock repurchase note, both dating from February 1997. The estimated present value of these latter two obligations has further

increased the Company's financial leverage (risk) at April 30, 1997. Year to year, the number of outstanding A and B common shares was reduced by 23,899 shares, or 44%.

Valuation Criteria

We have valued the common stock of Anchem based upon: (1) the pertinent regulations and principles promulgated by the Internal Revenue Service and the Department of Labor; (2) an analysis of the Company's financial statements, forecasts and other information; (3) discussions with management; (4) analysis of the relevant industry conditions; and other factors.

The basic rules for valuation are laid down in Revenue Ruling 59-60 issued by the Internal Revenue Service in March 1959 (as modified by Revenue Ruling 65-193). The rulings define "fair market value" as follows:

"...the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state, in addition, that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and be well informed about the property and concerning the market for such property."

This definition is widely accepted and used in courts of law and in tax literature and is the most widely used approach in valuing closely held securities. It is the basic definition upon which we have relied in determining the fair market value of the Company's stock. Revenue Ruling 59-60 was issued for estate valuation purposes, but is not limited to that use. It serves as a guide in virtually all valuation situations requiring the determination of fair market value.

In 1988, the Department of Labor (DOL) issued proposed regulations on "Adequate Consideration" which addressed valuation issues affecting Employee Stock Ownership Plans. These proposed regulations endorsed Revenue Ruling 59-60 and set forth other factors to be considered in valuing securities for ESOP purposes. In 1995, the DOL withdrew the proposed regulations; however, ESOP practitioners still consider these proposed regulations in conducting ESOP security valuations.

Consequently, this report has considered the following factors:

- The history of the Company and the nature of the business
- General economic outlook and the outlook of the particular industry
- Book value of the stock and the financial condition of the business
- Earnings capacity of the Company
- Dividend paying capacity
- --- Whether the enterprise has goodwill or other intangible value

- Sales of stock and the size of the block to be valued
- Market prices of stock of other comparable companies traded on exchanges

These eight factors are fundamental to any appraisal of closely held securities. They are not, however, all-inclusive. Other factors relevant to the subject valuation were also considered, such as the ESOP repurchase liability and its effect on the application of a marketability discount.

Valuation History and Conclusion

This valuation represents an update of prior appraisals of Anchem's common stock for ESOP purposes prepared by this appraiser as a subcontractor to Sansome Street Appraisers, Inc., a wholly owned subsidiary of Menke & Associates, Inc. The following table summarizes our fair market value findings for the past five fiscal years:

Angeles Chemical Co.
Summary of Fair Market Value Determinations
F1997-1993

| | | Per | | | | Times | |
|---------|------------|---------|--------------|---------------|--------|---------------|----------------|
| | Aggregate | | Percent of | | | Gross | Working |
| Date | ESOP Value | Share* | <u>Sales</u> | <u>Assets</u> | Equity | <u>Profit</u> | <u>Capital</u> |
| 4/30/97 | \$ 974,758 | \$32.30 | 10.0% | 25.0% | 58% | 0.32X | 0.63X |
| 4/30/96 | 1,467,603 | 27.15 | 21.3 | 33.7 | 81 | 0.76 | 0.94 |
| 4/30/95 | 1,187,463 | 22.00 | 18.0 | 37.3 | 81 | 0.60 | 0.99 |
| 4/30/94 | 1,421,555 | 26.30 | 20.4 | 41.2 | 81 | 0.64 | 0.93 |
| 4/30/93 | 1,650,000 | 30.50 | 20.4 | 52.1 | 92 | 0.68 | 1.06 |

^{*} Number of outstanding A and B common shares was reduced to 30,166 in fiscal 1997 from 54,065 in F1993-96.

Based upon our analysis of Angeles Chemical Co., Inc., our experience in the valuation of closely held securities, and the consideration of the factors set forth in this report, we are of the opinion that the aggregate minority interest fair market value of the common stock of Anchem for Employee Stock Ownership Plan purposes as of plan year end April 30, 1997 was \$974,758, or \$32.30 per share based upon 30,166 shares of A and B common stock outstanding.

This determination of fair market value is based on an adjusted book value approach and is discounted for restricted marketability. The reduction of the "price" to sales ratio to 10% at April 30, 1997 from about 20% previously and price to book value ratio to 58% from 81% reflects the economic impact on value of the new off-balance sheet obligations discussed below.

Special Valuation Considerations

In January 1994, Anchem's real property in Santa Fe Springs was transferred from the three founder/shareholders to the Company for \$648,000 in the form of Company 14-year notes. The price was negotiated by the principals and does not represent arm's-length fair market value as determined by a fall 1996 independent real estate appraisal. The property's marketability to a third-party buyer is impaired until its environmental problems are cured. In the appraiser's

opinion, the face amount of the three (original) \$216,000 7-1/2% 14-year notes may also be well above their third-party fair market value.

In February 1997, the Company purchased and retired 20,000 A common shares from a retiring shareholder in an exchange for a ten-year, \$480,000 consulting agreement and \$198,000 in cash. The Company/ESOP also bought 3,899 B common (ESOP) shares from the same retiring shareholder for a five-year \$105,852 promissory note. The estimated present values of these off-balance sheet Company obligations are significant valuation considerations.

II. SCOPE AND LIMITATIONS OF THE VALUATION REPORT

Limitations

The purpose of this valuation report is to determine the fair market value of the common stock of Anchem on a minority interest basis as of plan year end April 30, 1997 for annual ESOP reporting purposes and for use in common stock transactions involving the Company's ESOP. This appraisal is valid only for the appraisal dates specified herein and valid only for the appraisal purpose specified herein. No other purpose is intended or should be inferred.

In preparing this valuation, Bramstedt & Associates has relied upon and assumed the accuracy and completeness of all financial, statistical and other information provided by Anchem. Bramstedt & Associates has also considered information based upon other publicly available sources which it believes to be reliable; however, Bramstedt & Associates and the appraiser do not guarantee the accuracy and completeness of such information and have not independently verified the financial statements and other information. The appraiser is not aware of material omissions or understatements from management and other sources which would affect values contained in this report. The fair market value arrived at herein represents the appraiser's considered opinion based upon the facts and information presented to him. No legal opinion is expressed by this report and its accompanying documents.

This valuation report does not specifically address the financial impact, if any, of matters requiring special expertise or knowledge not generally held by business appraisers. As such, this report does not address in significant detail issues involving toxic contamination, hazardous waste, engineering and structural soundness, litigation and legal concerns, etc.

In preparing this valuation report, a variety of data and assumptions has been used. The financial information on past performance has been gathered from Anchem's financial statements for the past five fiscal years. We have included in Appendix I a copy of Anchem's most recent financial statements, prepared as a compilation by Singer, Traynor & Co., CPAs, for the fiscal year ended April 30, 1997.

General expectations of future financial performance for fiscal 1998 have been provided to us by the management of Anchem. Interviews have been held with members of management and with certain outside sources regarding certain Company events.

Neither the appraiser nor Bramstedt & Associates, Inc. has any present or contemplated future financial interest in Anchem, and the fee for this valuation is not contingent upon the fair market value determined. The qualifications of Bramstedt & Associates, Inc. to undertake this valuation are set forth in Appendix II.

The analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

Scope

The marketability of the subject company's stock, the control position of majority shareholders, and the relationship of these factors to the block of stock being valued can affect the concluded value. In valuing a block of stock, IRS Revenue Rulings and court decisions provide a basis for concluding that a discount is valid for an absence of marketability if the value base does not already reflect the lack of marketability. Further, a minority stock interest in a closed corporation is usually worth much less than a proportionate share of the entity value of all the corporate stock. Discounts can range from 10% to 30% or more. When minority interest and lack of marketability discounts are both applied, they are sequential.

This valuation is specifically intended to establish a per-share fair market value for shares to be issued or sold to the Company's Employee Stock Ownership Trust (ESOT). This report does not address the value of the Company as an entity. The value of the Company as a whole, with the attendant rights to control the direction and growth of the Company, to influence or control compensation and dividends, to change management, to acquire other companies and/or business operations, or to sell or merge the Company, may be greater than the total value implied by this valuation. On the other hand, the value of minority interest shares held outside of the ESOT would probably be less than the value determined in this report. An ESOP with a "put" option obligating the Company to repurchase the shares held by participants provides a valid market for such stock. Minority interest shares held outside of the ESOT would by necessity be discounted for their inherent tack of marketability.

III. THE COMPANY

<u>History</u>

Angeles Chemical is a resale/distributor of liquid industrial and consumer product chemicals used in coating and other processes. Specifically, the Company sells commercial solvents and packages paint thinner and finishes for the consumer/retail market. Commercial gross margins are over fifty percent better than those for solvents. Anchem's consumer/industrial sales mix is about 70/30.

From their peak in fiscal 1982 at \$16.8 million, Company dollar sales fell 61% to a low of \$6.6 million in fiscal 1995. Physical volume declined even more because of periodic price increases. The 15-year sales drop reflected the loss of major accounts as many commercial customers moved out of Southern California or changed their supplier source away from Southern California. The ever-increasing environmental regulations in Greater Los Angeles have created an expensive and difficult operating circumstance for chemical processors and distributors and their customers. The 1990-93 recession in the region was also a depressing factor. Management continues to emphasize less environmentally sensitive consumer products. In fiscal 1997, sales increased to \$9.8 million, the first upturn since the 1980s.

In 1996, Anchem had about 70 active industrial customers and 400 in packaging. Most are located in Southern California. Ellis Paint Company, owned by Robert Berg, a retired Anchem officer and former shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals — propylene, glycol, toluene, ethylene glycol, acetone, mineral spirits and alcohols. These are forms of petroleum distillates which are purchased from Shell, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and four aboveground tanks (old railroad tank cars): one of 10,000 gallons capacity and three of 6,000 gallons each. Many of the storage tanks are not now used given the decline in sales and volume since the 1980s.

In 1996, Anchem had 28 full-time employees.

Anchem carries a \$2 million product liability insurance policy.

(Note: Management did not provide Bramstedt & Associates with certain 1997 updated statistical and operational information. The appraiser does not believe this ommission affects the valuation conclusion herein.)

Company Facilities and Property

Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The land, structures and improvements are Company-owned. On January 1, 1994, title for the 1.8 acre land parcel was transferred from a partnership of the three founding and two then current shareholders to the Company in consideration of three equal 14-year \$216,000 notes (aggregating \$648,000) paying 7.5% annual interest. The total yearly

principal and interest payments of \$72,000 equal the former rent paid to the partnership and the transaction was therefore cash flow neutral to Anchem (on a pretax basis).

The land transfer price was determined by the three parties on other than an arm's-length "third party" negotiated basis and which basis was not specifically disclosed to the appraiser. In November 1996, a "limited appraisal" of the real property was prepared by Thomas M. Pike, Jr., MAI. Mr. Pike rendered an opinion of value of \$535,000 to \$625,000 assuming a market exposure of 6 to 12 months. This valuation assumed the property was not encumbered with environmental problems and clean-up costs. Based on his observations and discussion with Mr. Pike and SCS Engineers, Anchem's environmental consultant, the appraiser believes property ownership could be deemed transferable to a third party at market value after the removal of underground storage tanks, contaminated soil, etc. has been completed and appropriate regulatory agency certification is received. As of the appraisal date, the fair market value of the property is significantly impaired and is well below the \$648,000 stated book value. This circumstance is reflected in the valuation conclusion.

In addition to its Santa Fe Springs facility, Anchem rents warehouses in Santa Fe Springs for decorating containers and in El Monte for distribution.

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On March 31, 1991, Anchem entered into a five and a half year agreement with Saramco, Inc., dba Samson Chemical Co., to operate on a joint venture basis for five years beginning October 1, 1991. Under the agreement, on September 30, 1996 Samson ceased operations and transferred to Anchem its distributor relationships and its business and customer accounts. For the first half of fiscal 1997, or to the transfer date of September 30, 1996, Samson had sales of \$1.09 million and a profit of \$51,132, of which Anchem's share was \$25,563, and is treated as other income.

Anchem also has a distribution agreement with East Bay Oil, a Northern California chemical distributor, and a Phoenix warehouse to further broaden its customer, business and geographic base and replace lost sales in the Los Angeles Basin.

Management and Ownership

The Company senior management as of April 1997 consisted of:

| Officer | Title | Joined Co. | <u>Age</u> |
|-------------|--------------------|------------|------------|
| John Locke | President, CEO | 1971 | 7 0 |
| James Locke | Operations Manager | 1985 | 33 |

The Board of Directors consists of John Locke and Arnold Rosenthal.

As of April 30, 1997 there were 20,000 Class A and 10,166 Class B common shares outstanding (excluding treasury stock) as follows:

| <u>Holder</u> | Number of Shares | | | | |
|---------------|------------------------|----------------|--|--|--|
| John Locke | 20,000 A shares | 66.3% | | | |
| ESOP | <u>10,166</u> B shares | <u>33.7</u> | | | |
| Total | 30,166 A&B shares | <u>100.0</u> % | | | |

Class A common stock is voting and Class B is nonvoting. Otherwise, the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraisers or by Bramstedt & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues. By reason of the Berg stock buyback (discussed below), John Locke has obtained a control share ownership position at 66.3% of the 30,166 A and B shares now outstanding, which were reduced by 44% or 23,899 shares during fiscal year 1997.

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- Sold his 20,000 Class A common shares to the Company for \$198,000 cash and a \$480,000 ten-year consulting agreement payable at the rate of \$4,000 per month beginning February 15, 1997 and ending January 5, 2006. The 20,000 A shares were retired by the Company. For valuation purposes, the \$468,000 face amount remaining on the consulting agreement at April 30, 1997, an off-balance sheet item, is discounted to a present value of \$355,000 at April 30, 1997.
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Environmental Issues Update

The valuation studies for the fiscal years ended September 1989 through 1992 discuss in detail the regional agencies which regulate Anchem's operating and environmental activities. According to management and SCS Engineers, its environmental consultant, as of April 30, 1997 the Company had no environmental agency violations or citations.

However, beginning in fiscal 1993 and continuing into fiscal 1998, Anchem and SCS are working with the California EPA on its on-site program to investigate for possible groundwater contamination relating to an adjacent California Super Fund site (McKesson property). In this connection, Anchem incurred state fees and incremental services from SCS.

The prior reports discuss testing and related work for soil and groundwater contamination continually undertaken by the Company and SCS since 1989 which so far have found soil and ground water problems which have not been completely characterized. No major remedial work has yet been undertaken. Anchem is required by the California EPA to start replacing its underground tanks by December 1998. In August 1996, Anchem received a preliminary cost estimate for tank pull and replacement, contaminated soil removal and ground water remediation from Bio Base Remediation Co., Inc. of Newport Beach, California of \$624,640 as follows:

| • | Tank Pull (32 tanks) | \$154,000 |
|---|--------------------------|-------------------|
| ٠ | New Tanks (15) | 230,640 |
| • | Remediation/Related Work | <u>240,000</u> |
| | Total Estimate | \$ <u>624,640</u> |

No timeframe was given for this work, nor is a specific funding source indicated by the Company. Financing could be available from borrowing and from operating cash flow over time; however, there is no assurance that Anchem will be able to fund this program in a reasonable time period. Also, some reimbursement may be available from the State of California. By interpolation, the estimated cost to render the property "marketable" would be about \$400,000 (\$625,000 less \$230,000 for new tanks).

By its business nature, Anchem continues to incur legal, testing, remedial and consultant costs. The appraiser does not believe the Company has been able to pass these costs, which have become material, through to its customers, thereby impacting profit margins. SCS consulting costs have fluctuated but in fiscal 1997 averaged \$8,000 a month. SCS worked with management and counsel on the S&J suit.

Beginning in January 1995, Anchem is participating, as required by its major supplier contracts, in a comprehensive storage, operational, health, safety, environmental and emergency response program called "Responsible Distribution Process" created by the National Association of Chemical Distributors, who will sponsor on-site audits. A full-time compliance and safety officer reports to Operations Manager Jim Locke. Employee training for RDP is required. There have been incremental costs for implementing the program.

Ongoing environmental encumbrances on Anchem's business and profits have been reflected in the valuation conclusions since fiscal 1989.

Spencer & Jones (S&J) Litigation Award

As discussed in the April 30, 1996 Bramstedt & Associates, Inc. ESOP valuation report, in April 1996 Anchem received a cash litigation settlement from S&J of \$640,000. This event was reflected on the April 30, 1996 balance sheet under current assets as "due from litigation - \$640,000.

During fiscal 1997, the bulk of these funds were employed to pay off \$292,000 of bank and other notes and as a \$198,000 cash payment on the repurchase of 20,000 A common shares from Robert Berg. The residual \$150,000 was used toward general working capital applications such as a

\$178,000 year-to-year accounts payable reduction. Little or none of the funds was applied to storage tank removal, environmental remediation, etc.

The decision on the application of the court award rested with the control shareholders/officer(s) John Locke and, conceptually, Robert Berg. A minority Anchem shareholder — the ESOP — did not receive any direct financial benefit except that the Company's overall economic position was enhanced and financial risk lowered. This fact was implicitly recognized in the April 30, 1996 ESOP valuation conclusion.

The National Economy

The following discussion and analysis of the national economy for the third quarter of 1997 is based upon a review by Mercer Capital of current economic statistics, articles in the financial press, reviews found in current business periodicals and information posted on numerous Internet sites. The purpose of the review is to provide a representative "consensus" review of the condition of the national economy and its general outlook at the end of the third quarter of 1997.

General Economic Overview. Real Gross Domestic Product ("real GDP"), the output of goods and services produced by labor and property located in the United States, increased at an annualized rate of 3.5%, or \$62.2 billion, in the third quarter of 1997, according to preliminary estimates released by the Department of Commerce's Bureau of Economic Analysis ("BEA"). In the second quarter of 1997, revised growth in real GDP was 3.3%, or \$58.0 billion, and lower than the preliminary estimated annualized growth rate of 3.6%. According to the BEA, the increase in third-quarter real GDP primarily reflected increases in personal consumption expenditures, in producers' durable equipment, and in exports of goods and services.

The Composite Index of Leading Economic Indicators, the government's primary forecasting gauge, ended the third quarter at 104.5, slightly higher than an August level of 104.3. The September index reflected a 0.2% increase after rising 0.3% in July and 0.2% in August. The index attempts to gauge economic activity six to nine months in advance. Multiple consecutive moves in the same direction are said to be indicative of the general direction of the economy. With the exception of the April 1997 decrease, the index has either remained stable or increased each month since January of 1996. Six of the ten leading economic indicators rose in September. The index increased 0.9% for the six month period through September. After cooling somewhat during the second quarter, the index experienced modestly higher increases in the third quarter, though the increases were not quite as favorable as those in the first quarter (the strongest quarterly increase in recent years). Overall indications suggest that the economy is not likely to experience any significant softening for the foreseeable future.

Stock markets opened the quarter with a continuation of the record breaking performances of the second quarter but surrendered July's dramatic gains during heavy selling in August. The mid quarter sell-off was prompted by a variety of conflicting economic data which aroused suspicions about a tightening of interest rates by the Federal Reserve Board (the "Fed"). Instability in Southeast Asian currency and financial markets was also a significant factor in the quarter's volatile market swings. The Fed remained idle during its August 19th and September 30th meetings, the earlier of which influenced some recovery in the stocks, but the markets appeared stalled by the quarter's end. Bond yields were consistently lower than those of the

second quarter with the end of the quarter ushering in rising bond prices on favorable employment and inflation data.

The outlook for the economy through the end of 1997 is for continued growth with increasing but favorably low inflation. Growth in GDP for the fourth quarter of 1997 is expected to be modestly higher than that of the third quarter with many analysts estimating 4.0%. Inflation is expected to edge upward from current levels and unemployment levels are projected to remain near 5.0%.

<u>Consumer Spending and Inflation</u>. The seasonally adjusted annualized rate of inflation for the three-month period ended in September 1997 was 2.5%, compared to 1.8% and 1.0%, respectively, for the first and second quarters of 1997. The general outlook among most economists is for inflation to remain relatively constant or slightly higher for the fourth quarter of 1997, approximating 2.5%-3.0% or so for the year. The advance estimate for September retail sales reflects an increase of 0.3% from August. Retail sales for the third quarter represent a 5.4% increase above those of 3rd quarter 1996 and are 5.2% higher than levels reported for September 1996.

<u>Interest Rates</u>. The Federal Reserve continued to leave short term interest rates alone during the third quarter. However, Federal Reserve Chairman Alan Greenspan hinted at possible Fed intervention in the future to diffuse growing inflationary pressures.

The Financial Markets. The Dow Jones Industrial Average ("DJIA") closed the third quarter at 7945.24, an increase of 3.6% for the quarter and 23% from year-end 1996. The Standard and Poor's 500 Composite Index gained 7% during the third quarter to close at 947.28. The NASDAQ Composite Index gained 17% during the third quarter to close at 1685.69. The bond market turned in generally strong results during the period with yields consistently lower than those of the second quarter.

Construction. Housing and Real Estate. According to the U.S. Commerce Department's Bureau of the Census, new privately owned housing starts increased to a seasonally annualized rate of 1.5 million units in September, or about 8% higher than a revised August level of 1.39 million units. Overall activity for 1997 reflects a modest decrease of about 2% from levels during the first nine months of 1996.

<u>Unemployment</u>. According to the Labor Department's Bureau of Labor Statistics, unemployment levels during the third quarter were at 4.9%, where rates have remained relatively constant since April. The September unemployment rate was 4.9%, following 4.9% and 4.8%, in August and July, respectively. Near 5.0% unemployment levels are expected for the balance of 1997.

<u>Summary and Outlook.</u> Economic growth, as measured by growth in GDP, accelerated to 3.5% in the third quarter of 1997, after registering a revised 3.3% annualized rate in the second quarter. Consensus estimates of growth in GDP for 1997 are 3.5%-4.0%. Equity markets ended the quarter tame in comparison to the record highs of July and the steep declines in August. Inflation results for the third quarter reflected a seasonally adjusted annualized rate of 2.5%, representing an increase from the second quarter level of 1.0%. While inflation appears contained for now, indicators are mixed. There is growing speculation on the extent to which productivity

improvements can offset low unemployment rates, higher overall earnings, and high capacity utilization. Inflation risks appear to be mounting with the likelihood of Fed intervention rising.

The California Economy

In 1997, California's economy continued its expansion and recovery from the early 1990s recession which was exacerbated by a sharp and permanent decline in the defense and aerospace sectors. Generally, California's positive economic performance mirrors that of the U.S. economy, described above, stimulated by growth in the entertainment and electronic industries. Since the 1980s, however, there has been a change in the mix of California industrial activity which has been unfavorable for chemical processors like Anchem. Over the long term, the appraiser believes that Anchem's ability to address successfully the environmental issues is more critical than cyclical macroeconomic fluctuations.

Financial Analysis and Review

Anchem has provided Bramstedt & Associates with financial statements for the fiscal years 1993-1997. These financial statements have been thoroughly examined and discussed with management. A copy of the Company's financial statement for the fiscal year ended April 30, 1997, as amended, prepared as a compilation (without footnotes) by Singer, Traynor & Co., CPAs, is attached as Appendix I.

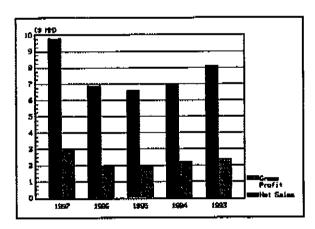
The results of our review and analysis of Anchem's financials are contained in the exhibits outlined below:

| Exhibit A | Comparative Income Statement, FY1993-1997 |
|-----------|---|
| Exhibit B | Comparative Balance Sheets, FY1993-1997 |
| Exhibit C | Selected Financial Ratios, FY1995-1997 |

These exhibits are presented at the end of this section of the report. The following comments and observations are based upon Bramstedt & Associates' review and analysis of the Company's financial statements. Samson Chemicals operations were combined with Anchem's on October 1, 1996 (or for the last half of fiscal 1997). For the first half, Samson's operating results are incorporated on a one-line entry, "income split - Samson."

Exhibit A contains Anchem's comparative operating statement in terms of dollars and dollars as a percent of sales for the period fiscal 1993-1997.

Angeles Chemical Co. Gross Profit & Sales F1997-1993



Sales of \$9.76 million in fiscal 1997 were up 42% from fiscal 1996 on the inclusion of Samson's sales for six months and improvement in Anchem sales. Those separate entities' combined sales were \$9.8 million in fiscal 1996. Samson's sales in fiscal 1996 were \$2.9 million, so by interpolation Anchem's continuing fiscal 1997 sales gain was about \$1.5 million. Anchem's fiscal 1997 sales were the highest since the late 1980s.

COGS rose a lesser 36.3% to \$6.75 million (69.0%) in fiscal 1997. Gross profit was up 56.4% to \$3.0 million (30.8%). Gross margin in fiscal 1996 was 27.9%.

Reflecting the inclusion of Samson's operations for six months and higher internal sales, operating costs gained 28.3% in fiscal 1997 to \$2.76 million (29.3%) from \$2.15 million (31.3%). Expenses rose in all categories — the largest expense components, all higher, are compensation, outside labor, commissions and freight. ESOP expenses were \$25,500 in fiscal 1997 versus \$6,500 in fiscal 1996. Significantly, Anchem recorded its first operating profit in the 1990s in fiscal 1997 — i.e., \$245,000 (2.5%) compared to a \$231,000 operating loss in fiscal 1996.

Net other expenses were \$99,000 in fiscal 1997 compared to a gain of \$640,000 (9.3%) in fiscal 1996. The major swing factors were: contamination expense of \$92,200 in fiscal 1997 versus litigation proceeds of \$542,200 in fiscal 1996; Samson split of \$25,500 versus \$90,400; and claims expense of \$52,600 versus \$5,100. Interest expense at \$49,000 (0.5%) was unchanged from fiscal 1996.

Pretax profit was \$96,000 (1.0%) in fiscal 1997 versus \$360,000 (5.2%). Net income (on nominal income taxes in both years) was \$97,000 (0.8%) in fiscal 1997 compared to \$347,000 (5.1%) in fiscal 1996.

Exhibit B contains Anchem's comparative balance sheet in terms of dollars and dollars as a percent of assets for the period fiscal 1993-1997.

As discussed in the Bramstedt & Associates, Inc. ESOP valuation report for April 30, 1996, Anchem became comparatively more capital intensive and leveraged in fiscal 1994 when the Company acquired its underlying real property for debt from its then three shareholders. As of April 30, 1997, total assets invested were \$3.89 million, down from \$4.36 million a year earlier. The main differential was the absence in fiscal 1997 of \$650,000 due from litigation. The disposition of these funds is discussed on page 10.

At April 30, 1997, current assets were \$3.06 million (78.7% of total assets), down 12.9% from \$3.5 million (80.7%) at April 30, 1996 as follows:

- Due from litigation zero versus \$640,000 (14.7%) at April 30, 1996
- Cash and equivalents \$318,000 (8.2%), up 13.6% from \$280,000 (6.4%)
- Accounts receivable up 40.4% to \$1.48 million (38.0%)
- Inventories \$1.12 million (28.8%), down 8.6% from \$1.23 million (28.2%)
- Other \$145,000 (3.7%), down from \$317,000 (7.2%) (see Schedule 2, Appendix I for list of deferred charges)

At April 30, 1997, net fixed plant was essentially unchanged at \$821,000 (21.1%). Other assets (deposits) dropped to \$6,000 (0.2%).

Current liabilities at April 30, 1997 were \$1.62 million (41.6% of total liabilities and equity), down 17.7% from \$1.97 million (45.1%) a year earlier as follows:

- Accounts payable \$1.36 million (34.9%), down 11.6%.
- Drum deposits \$7,000, unchanged
- Bank and other notes payable \$72,000 (1.8%) versus \$330,000 (7.6%) at
 April 30, 1996 on the payoff of short-term bank debt see Schedule 2, Appendix I
- Accrued expenses \$182,000 (4.7%), up from \$60,000 (1.4%)
- Current portion debt zero versus \$35,000 (0.8%) at April 30, 1996

The long-term note of \$580,000 (13.3%) at April 30, 1997 was unchanged. It is a 7.5% promissory note (term debt) due 2008 with a principal amount of \$580,000 at April 30, 1997. Annual principal and interest payments are \$72,000, although no principal payment is accrued as of April 30, 1997. The note, which is held by one current and two former shareholders, is discounted for valuation purposes. As discussed on page 9, there are two off-balance sheet financial obligations: a \$105,000 5-year, no interest promissory note and a \$468,000 10-year consulting agreement both payable to former officer and shareholder Robert Berg.

Shareholders' equity fell 6.6% to \$1.69 million (43.5%) at April 30, 1997 on the Berg stock redemption.

Exhibit C presents selected financial and operating ratios for fiscal years 1997-1995. For fiscal 1996, many of these ratios are distorted by the large litigation settlement (income). Exhibit C shows some stabilization in current and quick ratios to 1.89X and 1.11X respectively at April 30, 1997.

Working capital fell 6.8% to \$1.45 million in fiscal 1997 from fiscal 1996. The sales to working capital ratio rose to 6.7 times from 4.4 times at April 30, 1996 on higher fiscal 1997 sales. Inventory turns jumped to set times in fiscal 1997 from 4.0 times in fiscal 1996 on lower inventory and higher COGS. 6.0

Appendix I contains a statement of cash flows for fiscal 1997 which is summarized and compared to fiscal 1996 and 1995 as follows:

| | <u>F1997</u> | F1996 (corrected) (000) | <u>F1995</u> |
|-----------------------|---------------|-------------------------------|------------------|
| Net cash from (used): | | | |
| Operating activities | \$54 0 | (\$138) | (\$271) |
| Investing activities | (10) | 67 | 54 |
| Financing activities | (490) | <u>272</u> | <u>(48</u>) |
| Net change in cash | \$ <u>39</u> | \$ <u>201</u> | (\$ <u>266</u>) |

Cash from operating activities of \$540,000 represents net income of \$79,000 and depreciation of \$42,000 plus net changes in working capital accounts. Cash used in financing activities of \$490,000 represents bank debt pay-off and the Berg stock repurchase.

Management is projecting improved sales and an operating profit for fiscal 1998.

ANGELES CHEMICAL CO.

Exhibit A

Comparative Income Statement, F1997-1993 (\$000)

| FYE 4/30: | 199 | 77 | 19 | 26 | 195 | 95 | 19 | 94 | | 73 |
|--|------------------------|------------------------|--------------------------------|------------------------|------------------------|------------------------|-------------------------------|------------------------|------------------------|------------------------|
| Net Sales Cost of Sales Gross Profit | \$9759 6753 3006 | 100.0% 69.0 30.8 | \$6 677 4956 1922 | 100.0% 72.1 27.9 | \$6615 4648 1967 | 100.0X 70.3 29.7 | \$6976 4764 2211 | 100.0% 68.3 31.7 | \$8103 5691 2412 | 100,0% 70.2 29.8 |
| Operating Expenses | 2761 | 29.3 | 2153 | 31,3 | 2222 | 33.6 | 2422 | 34.7 | 2535 | 31.3 |
| Operating Income (Loss) | 245 | 2.5 | (231) | (3.3) | (255) | (3.8) | (211) | (3.0) | (123) | (1.5) |
| Other (ncome (Expense) Other Expense (Interest) | (99) 49 | (1.0) 0.5 | 640 49 | 9.3 1.0 | 18 51 | (0.8) | 173 16 | 2.5 (0.2) | 182 6 | 2.2 (0.1) |
| Pretax Income (Loss) Provision for Taxes | 94 17 | 1.0 0.2 | 360 13 | 5.2 0.2 | (288) 1 | (4.4) | (54) 1 | (0.8) | 53 4 | 0.7 |
| Net Income (Loss) | # <u>79</u> | 0,8 | s <u>347</u> | 5.1 | \$ <u>(289</u>) | (4-4) | \$ <u>(54</u>) | (8.0) | ∓ <u>49</u> | 0.6 |

SOURCE: Company financial statements (unaudited).

ANGELES CHEMICAL CO.

Exhibit B

Comparative Balance Sheet 1997-1993 (990)

| As of 4/30: | 19 | 97 | 19 | 96 | | 95 | 19 | 94 | 199 | <u> </u> |
|--|--|---------------------------|---|----------------------------------|---------------------------------------|--|---|--|--------------------------------|-----------------------------------|
| Current Assets: Cash and liquid investments Accounts receivable Inventories Due from litigation Due from affiliated | \$ 318 1481 1122 | 5.2% 38.0 28.8 | \$ 280 1055 1228 640 | 6,4% 24.2 28.2 14.7 | \$ 79 780 1012 | 2.5% 24.5 31.7 | \$ 345 1207 886 | 10.0% 33.0 25.7 | \$ 317 1494 920 | 10.0% 47.0 29.0 |
| companies/other/debt charges Total | <u>145</u> 3065 | 3.7 78.7 | 317 3520 | 7.2 80.7 | <u>462</u> 2333 | 14.5 73.2 | <u>177</u> 2614 | 5.1 75.7 | 197 2928 | 6.2 92,2 |
| Land Other Fixed Assets at Cost Accumulated Depreciation Net Fixed Assets | 648 <u>1786</u> (<u>1613</u>) 821 | 21,1 | 648 1750 (<u>1571</u>) 827 | 19.0 | 648 1715 (<u>1540</u>) 823 | 25.8 | 648 1653 (1490) 811 | 23.5 | 1746 (<u>1523</u>) 223 | 7,0 |
| Other Assets | 6 | 0,2 | 13 | 0.3 | 25 | 1.0 | 27 | 9.8 | 24 | 0.8 |
| Total Assets | \$ <u>3893</u> | 100.0 | \$ <u>4360</u> | 100.0 | 3 <u>3187</u> | 100.0 | ± <u>3452</u> | 100.0 | \$ <u>3175</u> | 100.0 |
| Current Limbilities: Accounts pmymble Deposits Bank and other notes pmymble Accound expenses Current debt portion Total | \$1357 7 72 182 1618 | 34.9 0.2 1.8 4.7 | \$1535 7 330 60 <u>35</u> 1967 | 35.2 0.2 7.6 1.4 0.8 | \$ 997 7 62 44 27 7157 | 31.3 0.2 2.0 1.4 0.8 35.7 | \$ 864 68 85 44 <u>25</u> 1086 | 25.0 2.0 2.5 1.3 0.7 31.5 | \$1112 60 85 109 | 35.0 1.9 2.7 3.4 43.0 |
| Long-Yerm Liebilities | 580 | 14,9 | 580 | 13.3 | 584 | 18.3 | 611 | 17.7 | | |
| Shareholder Equity | 1695 | 43.5 | 1814 | 41,6 | 1466 | 46.0 | 1755 | 50.6 | 1609 | 57.1 |
| Total Limbi(ities & Equity | \$ <u>3893</u> | 100,0 | \$ <u>4360</u> | 100.0 | \$ <u>3157</u> | 100.0 | 3 <u>3452</u> | 100.0 | \$ <u>3175</u> | 100.0 |

SCURCE: Company financial statements (unaudited).

ANGELES CHEMICAL CO.

Exhibit C

Selected Ratio Analysis FY1997-1995

| | FY 4/30: | <u>1997</u> | <u>1996</u> | <u> 1995</u> |
|--|----------|-------------|-------------|--------------|
| Liquidity Ratios | | | | |
| Current (Current Assets divided by Current Liabilities) | | 1.89 | 1.78 | 2.05 |
| Quick (Cash & Accounts Receivable divided by Current Liabilities) | | 1.11 | 1,00 | 0.76 |
| Working Capital (\$000) | | 1447 | 1553 | 1196 |
| Sales/Receivables (Sales divided by Accounts Receivable) | | 6.6 | 6.5 | 8.5 |
| Sales/Working Capital (Sales divided by Working Capital) | | 6.7 | 4.4 | 5.5 |
| Cost of Goods Sold/Inventories (Cost of Goods Sold divided by Inventories) | | 6.0 | 4.0 | 4.6 |
| <u>Coverage Ratios</u> | | | | |
| EBIT/Interest (Earnings before Interest & Tax divided by Interest Expense) | | 3.0 | 8.3 | Neg. |
| Cash flow/Maturity LTD (Met Income + Depreciation Expenses divided by Note Payable and Current Debt) | | 1.68 | 1.06 | Neg. |
| <u>Leverage Ratios</u> | | | | |
| Debt/Worth (Total Liabilities divided by Net Worth) | | 1.30 | 1.37 | 1.17 |
| Long-Term Liabilities/Worth (Liabilities over one year divided by Net Worth) | | 0.34 | 0.32 | 0.40 |
| Operating Ratios | | | | |
| Total Asset Turnover (Sales divided by Average Total Assets) | | 2.4 | 1,8 | 2.0 |
| Return on Equity (Net Income divided by Average Stockholders' Equity) | | 4.5% | 21.1% | (17.9%) |
| Return on Assets (Net Income divided by Average Assets) | | 1.9% | 9.3% | (8.7%) |

Neg. = Negligible

SOURCE: Company statements and Bramstedt & Associates.

IV. VALUATION

In arriving at a minority interest fair market value determination for Anchem, Bramstedt & Associates has considered the relevant factors set forth in Revenue Ruling 59-60 with regard to the valuation of closely held companies and in the Department of Labor's (DOL) proposed regulations on "Adequate Consideration" as they relate to the valuation of securities for Employee Stock Ownership Plan purposes. The following comments represent our findings with regard to those specific factors outlined in Revenue Ruling 59-60 and the DOL's proposed regulations on "Adequate Consideration" as they pertain to the valuation of Anchem. The following references to Revenue Ruling 59-60 implicitly include the DOL's proposed regulations.

Book Value

Revenue Ruling 59-60 states that the appraiser should consider book value when valuing a closely held company. Anchem's stated book value was \$1,695,055 or \$56.19 a share as of April 30, 1997 on 30,166 A and B shares outstanding.

Normally, book value or adjusted book value is not afforded much weight or consideration in the valuation of an operating company such as Anchem. Such type companies are normally valued on earnings and/or cash flow capacity. Because of depressed operating results, the appraiser chose to use book value as fair market value for ESOP purposes as of April 30, 1997 and has used it as a valuation reference since then.

Dividend History, Capacity and Probability

Revenue Ruling 59-60 suggests that the appraiser consider dividends and dividend paying capacity in valuing closely held securities. Anchem has recorded a small profit in only two of the past five years.

The Company has not paid any dividends on its common stock and has no intention of changing this policy at this time. This policy is quite appropriate for a small, private company which is owned by shareholders who neither rely upon nor expect dividend income and which company has not been profitable.

Normally, earnings reinvested in the growth of a company can be expected to earn at a greater return than dividend income invested in other investment opportunities with similar risks and prospects. Consequently, shareholders will ultimately benefit from the current policy to reinvest earnings in the Company's growth rather than to pay cash dividends.

Guideline Companies — Publicly Traded

Revenue Ruling 59-60 suggests that the appraiser consider the market price of stocks of corporations engaged in the same or a similar line of business having their stock actively traded in a free and open market or over the counter. Bramstedt & Associates has made an exhaustive search for public companies which can be deemed to be similar to Anchem. No single company proved to be a worthy publicly traded guideline company. Public companies are generally much larger and more diverse both geographically and in business operations.

Cash Flow and Earnings Capacity

Pre-1987 ESOP valuations by Charles Stark, PC, appear to rely on conclusions derived from capitalizing five-year average of net income, aftertax cash flow and pretax available cash flow, among other methods. Aftertax cash flow is net income plus depreciation. Available cash flow is pretax income plus ESOP contribution plus depreciation. Depreciation in fiscal years 1993 to 1997 was \$44,000, \$49,000, \$50,000, \$41,000 and \$42,000. ESOP contributions were \$16,200 in fiscal 1993, \$8,000 in fiscal 1994, none in fiscal 1995, \$6,500 in fiscal 1996 and \$25,500 in fiscal 1997. Anchem's earnings and cash flow as just defined for fiscal 1997 to 1993 are shown below:

| | | Cash | Flow | | |
|---------------|-------------------|------------------|-----------|--|--|
| <u>Period</u> | Net Income (Loss) | <u>Ayailable</u> | After Tax | | |
| F1997 | \$ 79,000 | \$164,000 | \$121,000 | | |
| F1996 | 347,000 | 487,000 | 388,000 | | |
| F1995 | (289,000) | (238,000) | (239,000) | | |
| F1994 | (54,000) | 3,000 | (5,000) | | |
| F1993 | 49,000 | 113,000 | 93,000 | | |
| | | | | | |

Note: Figures have been rounded.

Because of the erosion of the Company's earning and cash generating power, the income methodology is not now being used. The fiscal 1996 profit is entirely from the litigation award.

Valuation Issues — General

Due to insufficient demonstrable sustainable earning power and thin cash flow prospects, Bramstedt & Associates and the appraiser once again must look to the balance sheet (asset approach) for valuation purposes as in fiscal 1993-1996, when we employed an adjusted or modified book value approach.

Generally, capitalization of income and cash flow streams is the appropriate methodology for determining the equity fair market value of an operating company such as Anchem. The decision to utilize adjusted book value (and working capital) in the past several years is based on the factors discussed in this and prior reports and the appraiser's experience and knowledge in deriving equity values of closely held companies.

Valuation Conclusion

At April 30, 1997, Anchem's stated book value was \$1,695,055, to which adjustments are made for the estimated fair market value of the Company real estate, term debt, Berg ESOP note and consulting agreement and a discount for restricted marketability.

| ٠ | Real | Estate | Adjustment | TOF | Company Land | |
|---|------|--------|------------|-----|--------------|--|
| | | | | | | |
| | | | | | | |

| Stated or carrying value at April 30, 1997 | \$648,000 |
|--|---|
| Estimated market value (clean) per MAI appraisal Estimated clean-up costs (ex new tanks) Adjusted "market value" | \$575,000 (<u>400,000)</u> \$175,000 |
| Consequent adjustment to book cost | (\$473,000) |

Mark to Market Adjustment to 14-Year 7-1/2% Term Debt

| Financial statement face amount outstanding at April 30, 1997 | \$580,000 |
|---|--------------------|
| Risk and marketability mark-down (50%) | (<u>290,000</u>) |
| Estimated fair market value | \$290,000 |
| | |

Consequent adjustment to book value (\$290,000)

Present Value at April 30, 1997 with an Applied 15% Discount Rate of:

| _ | Berg \$105,852 ESOP | 5-year stock repurchase promissory note | \$ <u>.74.192</u> |
|---|---------------------|---|-------------------|
|---|---------------------|---|-------------------|

— Berg \$468,000 10-year consulting agreement \$354,597

Based on his knowledge and analysis of Anchem, the Company's 1990s unprofitable operating record, pending large environmental clean up costs, poor note interest and asset coverage, and the term debt's restricted marketability, the appraiser believes a knowledgeable third party investor would require an effective 15% high risk bond yield (or two and one-half times the 10-year government note rate at April 30, 1997), thus effectively reducing the bond's fair market value by 50%. Similarly, a 15% discount rate is applied to the Berg 5-year \$105,852 ESOP promissory note and 10-year \$468,000 consulting agreement.

The estimated present values to April 30, 1997 of these off-balance sheet obligations are valuation debits. There are no future income tax savings imputed into the present value calculation of the tax-deductible payments on these obligations. The Company has not paid income taxes in the 1990s except for a small amount in fiscal 1997. According to Anchem's CPAs, there is no tax loss carryforward available at April 30, 1997. If and when Anchem begins paying income taxes on a consistent basis, the economic value of the then future tax deductions may be imputed into the present value process.

Angeles Chemical, Inc. Determination of ESOP Fair Market Value April 30, 1997

| Stated Book Value | \$1,695,064 |
|---|-------------------|
| 1) Mark to market: | |
| a) Company land - deduct | (473,000) |
| b) Difference between face value and | |
| estimated market value of term debt - add | 290,000 |
| 2) Estimated present value of off-balance sheet obligations | |
| a) Berg 10-year consulting agreement - deduct | (355,000) |
| b) Berg 5-year ESOP stock repurchase promissory note - deduct | (74,000) |
| Adjusted Book Value | 1,083,064 |
| Less 10% Discount for Restricted Marketability | 108,306 |
| ESOP FMV | \$ <u>974,758</u> |
| On 30,166 A & B Common Shares | \$32.30/share (R) |
| | |

R = rounded

This valuation approach produces an indicated fair market value for ESOP purposes of the equity ownership of Angeles Chemical as of April 30, 1997 of \$974,758 or \$32.30 per share on 30,166 A and B common shares outstanding.

As of the ESOP plan year which began May 1, 1987, the ESOP Administration Committee set a policy of paying plan participants terminated for reasons other than retirement at age 65 in five annual cash pay-outs commencing on the first anniversary of termination. Terminated plan participants sell 20% of their stock to the ESOP in each of five years at the fair market value applicable for each year. Accordingly, the above derived value reflects a discount of 10% or the same as applied at April 30, 1996. This marketability discount conceptually reflects the time value of money under the deferred pay-out program now in effect.

Recent Stock Sale and Valuation

Revenue Ruling 59-60 suggests that arm's-length sales to knowledgeable unrelated third parties in the recent past would be a basis for valuation. The Berg A and B stock redemption on January 31, 1997 does not meet these criteria, although the cash and discounted value of the Berg consulting agreement equal an estimated \$28.00 a share on the 20,000 A share Company repurchase.

There have been no such recent qualifying transactions.

V. CONCLUSIONS

Based on our experience and general knowledge in determining the value of closely held companies and upon the consideration of all factors previously discussed, Bramstedt & Associates is of the opinion that the fair market value of the outstanding common stock of Angeles Chemical Co. for ESOT purposes is \$974,758 or \$32.30 per share as of April 30, 1997 on 30,166 Class A and B shares outstanding. This valuation is based on an adjusted or modified book value approach.

Specific positive factors concerning Anchem were: a significant fiscal 1997 sales increase, the first sales upturn in the 1990s; the first recorded operating profit in the 1990s in fiscal 1997; forecast for sales increase and operating profit in fiscal 1998; a strong California economy; and a major shrinkage in the number of outstanding shares.

Unfavorable factors were: the hostile operating environment for small chemical processors in heavily populated urban areas such as Los Angeles with the attendant ongoing compliance costs; the six consecutive years of operating losses prior to fiscal 1997; the substantial future costs for underground storage tank replacement and related clean-up expenses and the negative economic impact on value of the ESOP/Berg stock repurchase financial obligations.

This valuation is as of April 30, 1997; and, since it is based upon recent financial statements, it should be valid for the near future. However, it is imperative to recognize that the dynamics of the industries served and general economic conditions can change and invalidate this evaluation. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

V. <u>CONCLUSIONS</u>

Based on our experience and general knowledge in determining the value of closely held companies and upon the consideration of all factors previously discussed, Bramstedt & Associates is of the opinion that the fair market value of the outstanding common stock of Angeles Chemical Co. for ESOT purposes is \$974,758 or \$32.30 per share as of April 30, 1997 on 30,166 Class A and B shares outstanding. This valuation is based on an adjusted or modified book value approach.

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APPENDIX I

<u>ANGELES CHEMICAL CO., INC.</u>

<u> APRIL 30, 1997 AND APRIL 30, 1996</u>

INDEX

- 1. Accountant's Compilation Report
- 2. Balance Sheets
- Statements of Income and Retained Earnings
- 4. Statements of Cash Flow
- 5. Other Income (Expenses) Schedule 1
- 6. Balance Sheet Schedules Schedule 2

SINGER, TRAYNOR & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

6055 East Washington Bl., Suite 500 Los Angeles, CA 90040

October 14, 1997

Angeles Chemical Co., Inc. 8915 Sorensen Ave. Santa Fe Springs, CA 90670

The accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1997 and April 30, 1996 and the related statement of income and retained earnings and cash flows for the years then ended have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included with the financial statements, they might influence the user's correlations about the Company's financial position, results of operations, and cash flows.

Accordingly, these financial statements are not designed for those who are not informed about such matters.

Singer, Traynor & Co.
Certified Public Accountants

Angeles Chemical Co., Inc.

BALANCE SHEETS

April 30, 1997 and April 30,1996

| | ASSETS | <u> 1997</u> | · <u>1996</u> |
|--|---------------------|---|-------------------|
| URRENT ASSETS ash | | 318,101.92 | 280,057.52 |
| ecounts Receivable (Net of Bad Debts Allowances of | | 1,480,618.61 | 1,055,201.72 |
| 5,000,00 and \$5,000.00 Respectively) | | 1,121,854.75 | 1,228,538.89 |
| rventories (Lower of Cost, FIFO or Murket) | | 19,715.28 | 30,228.28 |
| hue from Stallion Tank Lines, Inc. | | 17,7 12:40 | 173,799.85 |
| Aue from Samson Chemical Co. | | <u> </u> | 640,000.00 |
| bue from Litigation | | • | 450.00 |
| due from Other | | 13,987,49 | 21,958.36 |
| Imployee Advances | • | 110,870.39 | 89,942.29 |
| Deferred Charges - Schedule 2 | • | | 3,520,176.91 |
| TOTAL CURRENT ASSETS | | 3,065,148.44 | 3,020,17031 |
| TEXED ASSETS (at Cost) | | 648,000.00 | 648,000.00 |
| and | | 101,711.00 | 99,568.00 |
| Office Trailers | į | 223,478.00 | 212,632.00 |
| Trucks & Autos | | 844,364.00 | 830,643.00 |
| Fanks & Plant Equipment | • | 251,023.00 | 241,765.00 |
| Furniture & Fixtures | | 365,599.00 | 365,599.00 |
| Plant | i | 2,434,175.00 | 2,398,207.00 |
| TOTAL | | 1,612,710.00 | 1,570,967.00 |
| Less: Accumulated Depreciation | | | 827,240.00 |
| BOOK VALUE | | <u>821,465.00</u> | 08/34/000 |
| OTHER ASSETS | | | ¢ 000 00 |
| Deposits | | 6,080.00 | 6,080.00 |
| Investment in Samson Chemical Co. | | | 6,786.51 |
| TOTAL OTHER ASSETS | | 6,080.00 | 12,866.51 |
| TOTAL ASSETS | | 3,892,693.44 | 4,360,283.42 |
| LIABILIT | tes and shareholder | S' EOUITY | |
| CURRENT LIABILITIES | | 1,357,045.72 | 1,535,368.59 |
| Accounts Psyable | ٠. | יייטיאל לבין. איייטיאל לבין מייטיאר אייי | 47.611.76 |

| come Taxes Payable | 3,5\$6.00 | 12,011.00 |
|--|--------------|--------------|
| ote Payable - Bank of Whittier | | 268,636.13 |
| iote Payable - Other | 72,548.60 | 61,153.41 |
| rum Deposits | 7,000.00 | 7,000.00 |
| erm Debt - Current - Schedule 2 | 37,497.56 | 34,942.56 |
| TOTAL CURRENT LIABILITIES | 1,655,456.18 | 1,966,723.45 |
| ERM DEBT -Schoolule 2 | 542,391.14 | 579,888.70 |
| PIAREHOLDERS' EOUITY Dommon Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; | 3,406.50 | 5,406.50 |
| M.065 & 54,065 Shares Issued & Outstanding Respectively | 105,723.80 | 105,723.80 |
| Learning Commission of the Com | 1,585,715.82 | 1,702,540.97 |
| * TOTAL SPAREHOLDERS' FOUTY | 1,694,846.12 | 1,513,671,27 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | 3,892,693.44 | 4,360,283.42 |

SEE ACCOUNTANT'S COMPILATION REPORT

Angeles Chemical Co., Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1997 and April 30, 1996

| |) : | | | <u>1997</u> | <u>%</u> | <u>1996</u> | <u>%</u> |
|--------------------------------------|---------------|----------|---|------------------------|----------|----------------------|--------------|
| ALES | • | | | 9,759,018.46 | 100.00 | 6,877,227.82 | 100.00 |
| ESS: COST OF SALES | | | | 6,752,928.38 | 69.20 | 4,955,527.93 | <u>72.06</u> |
| GROSS PROFIT | | | | 3,006,090.08 | 30.80 | 1,921,699.89 | <u>27.94</u> |
| PERATING EXPENSES | | • | | 686,068.75 | 7.03 | 563,188.24 | 8.19 |
| Salaries & Wages | | | | 44,761.23 | 0.46 | 28,366.02 | 0.41 |
| Compensation Insurance Outside Labor | • | | | 333,313.73 | 3.42 | 205,889.96 | 2.99 |
| insurance | , | | | 187,263.38 | 1.92 | 165,754.06 | 1.80 |
| Truck Expenses | • | | | 119,281.23 | 1.22 | 109,652.09 | 2.20 |
| Freight | | | • | 285,549,12 | 2.93 | 161,506.08 | 2.35 |
| Commissions | | | | 304,497.12 | 3.12 | 143,884.57 | 2.09 |
| Rent | | | | 83,841.54 | 0.86 | 77,279.73 | 1.12 |
| Repairs & Maintenance | 1 | | | 104,520.53 | 1.07 | 117,843.68 | 1.71 |
| Plent Expense | | : | | 101,182.66 | 1.04 | 105,236.91 | 1.62 |
| Printing Expense | | : | | • | 0.00 | 9,198-59 | 0.13 |
| Tank Testing & Lab Expense | | • | | 1,693.60 | 0.02 | • | 0.00 |
| Auto & Travel | | | | 32,702.42 | | 20,946.16 | 0.30 |
| Bad Debts | • | | • | (90.57 | | 26,429.82 | 0.38 |
| Bank Charge | | | | (528.96 | • | (180.00) | |
| Telephone & Utilities | | | | 49,955.47 | 0.51 | 47,850.35 | 0.60 |
| Maciation | | | · | 41,743.00 | | 40,868.00 | 0.59 |
| oli Taxes | | | | 63,221.10 | | 55,188.70 | |
| Professional Services | | | | 81,988.50 | | 54,267.52 | |
| Taxes & Licenses | | | | 40,562.96 | | 49,302.20 | |
| Business Promotion | | | | 24,277.97 | | 31,513.26 | |
| Office Supplies | | | | 27,233.06 | | 29,956.77 | |
| Computer Expense | | | | 38,187.21 | | 35,099.80 | |
| Advertising | | | | 16,074.77 | | 5,249.71 6,500.00 | |
| Profit Sharing Expense | | : | , | 25,500.00 | | 9,876.70 | |
| Employee Welfare | | * | | 9,801.10 | | 9,685.08 | |
| Dues & Subscriptions | | | | 9,741.95 | | 32,379.80 | |
| | | • | | 39,9 69 .11 | 0.41 | 34,3/7.00 | , V.7/ |

| leminars & Meetings 'enalties Donations TOTAL OPERATING EXPENSE OPERATING INCOME (LOSS) | 7,498.24 399.03 1,121.00 2,761,330.25 244,759.83 | 0.08 0.00 0.01 28.30 2.51 | 480.00 2,153,269.92 (231,570.03) | 0.00 0.01 31.31 (3.37) |
|---|--|---------------------------------------|--|---------------------------------|
| THER (EXPENSES) INCOME - Schedule 1 | (148,458.98) | <u>(1,52)</u> | 592,049.11 | <u>8.61</u> |
| INCOME BEFORE INCOME TAXES | 96,300.85 | 0.99 | 360,479.08 | 5.24 |
| Provision for Income Texas | 17,126.00 | <u>0.18</u> | 12,811.00 | 0.19 |
| ENET INCOME TO RETAINED EARNINGS LESS: SHARES RETIRED RETAINED EARNINGS - ENDING | 79,174.85 1,702,540.97 (196,000.00) 1,585,715.82 | 0.81 | 347,668.08 1,354,872.89 1,702,540.97 | <u>5.06</u> |

ODE ACCOUNTANTS COMPILATION REPORT

Angeles Chemical Co., Inc.

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1997 and April 30, 1996

| rot do south and | | |
|---|----------------------------|--------------|
| | <u>1997</u> | <u>1996</u> |
| ERATING ACTIVITIES t Income ijustments to Reconcile Net to Net Cash | 79,174.85 | 347,668.08 |
| avided by Operating Activities: | | |
| | (25,565.82) | (90,370.64) |
| talty in Income of Affiliate | 41,743.00 | 40,868.00 |
| preciation CASH PROVIDED BY OPERATIONS | 95,352.03 | 298,165.44 |
| ASH PROVIDED BY OPERATING ASSETS AND LIABILITIES: | /49¢ 416 PÓ\ | (275,141.51) |
| ocrease) in Accounts Receivable | (425,416.89) 106,684.14 | (216,228.73) |
| ecrease (Increase) in Inventories | (20,928.10) | 45,578-23 |
| ncrease) Decrease in Deferred Charges | 832,733,72 | (540,414.09) |
| ecrease (Increase) in Other Current Assets | 6,786.51 | (3,500.00) |
| ecrease (Increase) in Other Assets | (178,322.87) | 537,809.86 |
| Decrease) Increase in Accounts Payable | 130,196.54 | 3,562.34 |
| rerease in Accrued Liabilities | 130,170.54 | 95.00 |
| acrease in Customer Deposits | (8,455.00) | 12,011.00 |
| Occrease) increase in Income Tax Payable | 443,278.05 | (436,227,90) |
| NET CASH PROVIDED (USED) BY OPERATING ASSETS AND LIABILITIES | 538,630.08 | (138,062.46) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 338,030.00 | |
| STING ACTIVITIES | 25.565.82 | 112,698.00 |
| ributions from Affiliate | (35,968.84) | (45,418.00) |
| Purchase of Property, Plant & Equipment | | 67,280.00 |
| NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES | (10,403.02) | <u></u> |
| FINANCING ACTIVITIES | (198,000.00) | |
| Retirement of Common Stock | (292,183.50) | 272,125.66 |
| (Decrease) Increase in Notes Payable | (490,183.50) | 272,125.66 |
| NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES | (470),410 | |
| twodfare to cash and cash equivalents | 38,043.56 | 201,343.20 |

| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 280,057.52 | 78,714.32 |
|---|------------|------------|
| CASH AND CASH EQUIVALENTS - END OF YEAR | 318,101.08 | 280,057.52 |
| STREET OF CASH FLOW INFORMATION with Paid During the Years Ended April 30, 1997 and April 30, 1996 for: | | • |
| jodine Taxes | 25,611.00 | 200.00 |
| gterest . | 48,664.16 | 49,456.71 |

SENT BY:SINGER INAINOR & OF

Angeles Chemical Co., Inc.

OTHER INCOME (EXPENSES)

| 1 · | For the Years Ended April 30, 1997 and April 3 | <u> </u> | Schedule Schedule | | |
|--|--|--|--|---|--|
| | | 1997 | % | <u>1996</u> | % |
| come Split - Samson Chemical Co. ministing Charges acrest Income laims Expense compensation Insurance Dividend lontamination Proceeds (Expense) lasmity Loss lactoring Discount discellaneous Income discellaneous Expense nterest Expense | | 25,565.82 25,347.37 9,461.91 (52,616.48) (92,228.82) (1,568.00) (13,982.97) 226.35 (48,664.16) (148,458.98) | 0.26 0.26 0.10 (0.54) (0.95) (0.02) (0.14) 0.00 (0.50) (1.52) | 90,370.64 22,645.90 3,260.93 (5,063.62) 542,195.68 (7,133.44) (8,595.58) 4,526.31 (701.00) (49,456.71) 592,049.11 | 1.31 0.33 0.05 (0.07) 0.00 7.88 (0.10) (0.12) 0.07 (0.01) (0.72) 8.61 |
| NET OTHER (EXPENSE) IN | COWR | (1.141.1.1.1) | | | |

SEE ACCOUNTANT'S COMPILATION REPORT

Angeles Chemical Co., Inc.

BALANCE SHEETS SCHEDULES

April 30, 1997 and April 30, 1996

| | <i>*</i> | - | | | Schedule 2 |
|--------------------------|--------------|-----|------------------------|-------------------|--------------|
| | e E Vi | | | <u>1997</u> | <u>1996</u> |
| CHERRED CHARGES | | | | 1,260.00 | 1,974.34 |
| roperty Taxes | | | | 95,030.00 | 72,402.80 |
| ismance | | | ٠. | 853.04 | 518.00 |
| .casc | | | | • | - |
| xcise Tax - Fuci | | | | 3,925.00 | 1,042.56 |
| exes & Licenses | | | | 661.55 | 172.78 |
| imployee Benefits | | • | | 9,140.80 | 10,121.62 |
| Xher | | | , | | 3,710.19 |
| Compensation Insurance | | • | | 110,870.39 | 89,942.29 |
| TOTAL | | ! | | | |
| | | : | | | |
| • | | | • | | |
| ٠, | | | | • | |
| ACCRUED LIABILITIES | i | | | 109,326.16 | 16,849.31 |
| Commissions | | • . | | 1,080.98 | • |
| Compensation Insurance | | 7 | | 2,790.00 | 1,493.21 |
| Sales Taxes | | | • | 21,000.00 | . • |
| ESOP Contribution | | | | 18,270.16 | 12,624.36 |
| Payroll | | | | 6,000.00 | - |
| ssional Fees | | | | <u> 19.341.00</u> | 16,644,88 |
| | | | | 177,808.30 | 47.611.76 |
| <u>TOTAL</u> | | | | | |
| | | | | 1997 | |
| | • | | Carrent | Torn | <u>Total</u> |
| TERM DEBT | | | 1A 269 57 | 174,351.36 | 184,843.89 |
| J. Locke | | | 10,492.53 10,492.53 | 174,351.36 | 184,843.89 |
| A. Rosenthal | | 1 | 10,492.53 | 174,351.36 | 184,843.89 |
| N. Spieler, Truster | | | 6,019.97 | 19,337.06 | 25.357.03 |
| Jaguar Credit Corp. | | | 22 FOL PC | 542 391.14 | 579.888.70 |

| ٠ | * | ٠ | ** | _ |
|---|---|---|----|---|
| | | | | |

| | <u>1996</u> | | |
|-----------------------------------|----------------|------------|--------------|
| | <u>Current</u> | Term | <u>Total</u> |
| IERM DEBT 1. Locke 4. Rosenthal | 9,736.63 | 184,843.89 | 194,580.52 |
| | 9,736.63 | 184,843.89 | 194,580.52 |
| | 9,736.63 | 184,843.89 | 194,580.52 |
| N. Spieler, Trustee | 5,732.67 | 25,357.03 | 31,089.70 |
| leguar Credit Corp. | 34,942.56 | 579,888.70 | 614,831.26 |

SEE ACCOUNTANTS COMPILATION REPORT

APPENDIX II

BRAMSTEDT

and Associates Incorporated
Financial Consulting
Business Valuations
Financial Analysis

Qualifications of Bramstedt & Associates, Inc.

Eric M. Bramstedt, CFA, has over 35 years experience in the field of financial analysis, equity evaluations, securities analysis and investment banking. From 1967 to 1977 Mr. Bramstedt was a senior security analyst and officer of three San Francisco based institutional research firms including Sutro & Co. He has prepared over 600 business valuations of closely held companies for merger and acquisition, gift and estate taxes, Employee Stock Ownership Plans (ESOPs), buy/sell agreements, marital dissolutions, litigation support, and others. These valuations have covered a broad scope of closely held and public companies including several Fortune 1000 listings. Mr. Bramstedt possesses in-depth knowledge of ESOP functions, structuring and valuation through seventeen years of extensive experience with four leading ESOP design and valuation firms—Sansome Street Appraisers, Inc. (Menke & Associates); Kelso & Co.; Houlihan, Lokey, Howard & Zukin; and Private Capital Corp. This experience includes work for an employee coalition's proposed ESOP buy-out of Eastern Airlines.

Mr. Bramstedt has provided business valuation and financial consulting services to companies in manufacturing, foundry, retail trade, commercial banking, architecture and engineering, technology, distribution/manufacturer's representative, oil and oil service, health care, forest products and building materials, construction and contracting services, newspaper publishing and commercial printing. Mr. Bramstedt is a specialist in transportation, particularly trucking and short-line railroads. Clients have included major domestic and international transportation companies for acquisition, investment banking, ESOP and other applications. He was editor of *Cal-Tips*, an operating and financial study of the California less-than-truckload business.

Mr. Bramstedt is a Chartered Financial Analyst (CFA) and a member of the Institute of Chartered Financial Analysts, the Association for Investment Management and Research and the Transportation Research Forum, and is a charter member and past president of the Valuation Roundtable of San Francisco. He holds a Bachelor's Degree in Economics from Stanford University. Mr. Bramstedt has appeared as an expert witness before the California Public Utilities Commission and in civil court on matters of economic damages.

| | | | _ |
|--|--|--|---|
| | | | |
| | | | |
| | | | |
| | | | |

NO.025



FUNDING PLAN AT A GLANCE FOR ANGELES CHEMICAL, INC.

TANK PULL

\$ 154,000.00

NEW TANKS

\$ 230,640.00

REMEDIATION
(Phases I,-II, III, IV)

\$ 240,850.00

TOTAL

\$ 625,490.00

Executive Center 4570 Campus Dr., Suite & Newport Beach, CA 92660 Phone: (714) 252-2158 Fax: (714) 252-2190



Remediation Proposal for Angeles Chemical, Inc. August 11, 1996

TANK PULL ... TANK INSTALLATION ... REMEDIATION

| FUNDING PLAN | TIME LINE |
|-----------------------------|--------------------|
| Tank Pull Tank Installation | 30 Days |
| Remediation | 60 Days 90 Days |

WARRANTY

- 1. All excavated soil will be remediated to State EPA Specs, i.e.: see LARWQCB 392 Regular Meeting Item: 10, April 1, 1996; and Staff Report of March 20, 1996 re: Lawrence Livermore National Laboratory's Recommendations.
- 2. The State of California will reimburse certain owners of Underground Storage Tanks:

Chapter 6.75 Health & Safety Code CCR, Title 23, Division 3 CH 18:

Executive Center 4570 Campus Dr., Suite 8 Newport Beach, CA 92660 Phone: (714) 252-2158 Fax: (714) 252-2190 NOV. 27, 1996 10: 34AM

"Underground storage tank" means any one or combination of tanks, including pipes connected thereto, which is used for the storage of petroleum and which is substantially beneath or totally beneath the ground.

"Petroleum" means crude oil or any fraction thereof, which is liquid at standard conditions of temperature and pressure."

Subject to the solvency of the State Fund and conditional upon the parties herein executing a contract, the parties warrant that they will pursue the State to reimburse the client an amount equal to 0% - 50% of the total estimate, at the discretion of the State.

<u>COST</u>

| 1. Tank Pull | (32 Tanks) | \$ 154,000.00 |
|--------------|------------|---------------|
| 2. New Tanks | (15 Tanks) | \$ 230,640.00 |

3. Remediation:

A. Engineering
20 hours a week @ \$ 90.00
(90 Days) \$ 21,600.00

| B. | Clerical | |
|----|----------------------------|--------------------|
| | 20 hours a week @ \$ 35.00 | |
| | (90 Days) | \$ 8,400.00 |
| C. | Drilling | \$ 6,000,00 |
| D. | Testing | |
| • | (cost plus 15%) | \$ 30,000.00 |
| E. | Excavation | |
| | 3,000 tons @ \$ 13.25 | \$ 39,750.00 |
| F. | Remediation | |
| | 2,000 tons @ \$ 58.30 | \$ 116,600.00 |
| G. | Back Fill | |
| | 4,000 tons @ \$ 9.25 | \$ 18,500.00 |
| H. | Insurance | \$ 5,000.00 |
| | TOTAL | - \$ 240,000,00 |
| | - + | ₩ #Ŧ ₩,₩₩₩. |
| | TOTAL ESTIMATE | \$ 625,490,00 |

- 4. It is anticipated that contractor will remediate non-qualifying contaminants at:
 - A. On site @ \$ 14.00 per ton
 - B. Dig & Haul at cost plus 15%

- 5. Contract assumes Phase I, II, III & IV will be bid and awarded to the contractor at the low bid.
- 6. Tank pull will be assessed \$ 0.96 per gallon over 10 K or 32 tanks.

7. CHANGE ORDERS:

- A. Related to tank pull will be payable 30-days net.
- B. Related to remediation: cost plus 28%
- C. Stone, clean soil, gravel, asphalt & concrete: cost plus 28%

WATER REMEDIATION

Contractor / Consultant agrees to inject it's proprietary bacteria and bio-base into all open pits to induce passive blo-remediation. (cost plus 28%)

Contract assumes that Angeles Chemical, Inc. will pay net cost of vapor extraction and/or pump and treat cost of hardware plus 28% plus engineering rates hereto.

Robert B. Poitras, R.M.O. (BMR)

Angeles Chemical Co., Inc. P.O. Box 2163, Santa Fe Springs, CA 90670

FAX

Date: 1127 9C

Number of pages including cover sheet: 6

Phone: 415-435-9438
Fax phone: 415-362-6492
CC:

REMARKS: Urgent For your review Reply ASAP Please comment

| | ÷ | |
|--|---|--|
| | | |
| | | |

NO.219 13196987571 P.3/3

THOMAS M. PIKE, JR., MAI Real Estate Appraiser - Consultant

State License AG004424

One Lusitano Goto De Cazo, CA 93679

Phone (714) 888-9148 FAX (714) 888-9149

November 13, 1996

310- 945-3911

John G. Lock
Angeles Chemical Inc.
Santa Fe Springs, CA

Re: Vacant Land Appraisal

Mr. Lock:

As per your request, I am sending you this proposal for the appraisal services. It is my understanding that the property in question is a vacant industrial parcel which is in the northern portion of the Ciry of Santa Fe Springs. Though this property has underground tanks and may have some soil contamination, you would like to have it valued with consideration to any contamination. Further, the purpose for the appraisal is for a partnership buy out and that the interest to be appraised is the Fee Estate.

Considering the purpose for the appraisal. I submit two options for your consideration. The first option is a Limited Appraisal whereby the property is inspected and a limited investigation of the market is made. An analysis of the data found would be made and reported to you in a Restricted Report. The report will summarize my investigation, data obtained, analysis and report a range of value for the subject property. The fee for the Limited Appraisal is \$850. The second option is for a Complete Appraisal which involves inspecting the property, making a comprehensive investigation in the market, interviewing City officials, analyzing the property and writing a fully self-contained narrative appraisal report. The fee for the Complete Appraisal is \$1,500.

I have enclosed a summary of my professional qualifications for your review. Should you have any questions regarding the scope of the assignment or my qualifications, feel free to call me.

all Beng sth \$600,000

Respectfully,

Thomas M. Pike, Jr., MAI

NO.219 13106967571

P. 2/3 P. 3

QUALIFICATIONS OF THOMAS M. PIKE, JR. Certified General Real Estate Appraiser

EXPERIENCE:

Independent Real Estate Appraiser since 1981 Booth, Crosbic, Holzhauer & Pike - 1981 to 1985 Thomas M. Piko & Associates - 1985 to Present

STATE LICENSE:

Cortified General Real Estate Appraisor State License Number AG004424

PROFESSIONAL MEMBERSHIP:

Momber of the Appraisal Institute MAI Designation - Number 7922

Member of the Regional Review and Counseling

Committee of Appraisal Institute

EDUCATION:

University of California, Irvine Bachelor of Arts Degree - 1980

Professional Courses:

Beginning and Advanced, Real Estate Appraisal, Real Estate Appraisal Principles, Basic Valuation Procedures, Residential

Valuation, Capitalization Theory & Techniques A & B. Standards of Professional Practice A & B. Case Studios in Real Estate Appraisal, Valuation Analysis and Report Writing. Comprehensive Examination

TEACHING: EXPERIENCE:

Saddleback College - Associate Faculty 1986-89 Beginning and Advanced Real Estate Appraisal

Univ. of Calif., Irvine - Current Faculty

Beginning and Advanced Real Estate Appraisal

EXPERT WITNESS:

Retained by the California Department of Transportation for numerous condemnation cases; has testified in Federal Bankruptcy Court: has tostified in several arbitrations and has acted as an arbitrator hearing testimony regard real property valuation

AREAS APPRAISED:

Los Angeles, Orange, Riverside, San Bernardino, and and San Diego Counties, California

Maricopa County, Arizona

SPECIAL ASSIGNMENTS:

Land/Improvement Apportionment for Tax Purposes Data Research & Documentation for Litigation Valuation of Part Takes and Severance Damages Valuation of Leasohold and Leased Fee Estates Mass Acquisitions Valuations for Redevelopment

TYPES OF PROPERTIES:

Vacant Land, Residences, Apartments, Retail Stores, Office Buildings, Shopping Conters, Medical Buildings, Industrial Buildings, R&D Buildings, Subdivisions, School Sites, Auto and Truck Dealerships, Hospitals and Rights-of-Way

rev. 1-90

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| ESOP FAIN |
| 4/30/97 |
| |
| State Bore Value " 1,695,064 |
| 1.) much to mucht: |
| a) Company Carl - (473,000) |
| 6) Defferen betwee for |
| wheelestente met |
| volue of term dettal 290,000 |
| |
| e) Extente postvolvery |
| of belowe shot blegiting |
| 3) Beng / ayr correllery agreet 1359,000 |
| 6) Rey 5 of 25 of stal square (74, 000) |
| mit |
| Congreted Book Value 1,083,084 |
| m. lett. |
| Lan 10% nevert for Partueled , 108,306 |
| |
| ESOP FMV 974,758 |
| |
| an 30,166 P+B commander \$32308 Plan |
| CPLP 1/ |
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BRAMSTEDT

and Associates Incorporated
Financial Consulting
Business Valuations
Financial Analysis

January 27, 1997

PERSONAL AND CONFIDENTIAL

Mr. John Locke Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Dear John:

Enclosed are three copies of the Anchem ESOP valuation study for April 30, 1996 and our invoice for \$4,650, which includes a fee of \$850 for consulting in regard to the possible Berg stock purchase by the ESOP.

If the ESOP buys Berg's "B" stock, you will need an opinion letter updating the ESOP fair market value from that of April 30, 1996 to the transaction date. The \$850 consulting fee will be credited against the fee for that opinion letter.

Sincerely yours,

Eric M. Bramstedt

EMB;ew enclosures

BKAMSTEDT

and Associates Incorporated
Financial Consulting
Business Valuations
Financial Analysis

January 30, 1998

Mr. John Locke Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Dear John:

As you know by now, I completed the fiscal 1997 Anchem ESOP valuation report without getting an updated company profile. I will definitely need once this year.

Sincerely,

Eric M. Bramstedt

EMB:cw enclosures

Sansome Street Appraisers, Inc.

Mordham, New Joney

114 Sansome Street, Suite 808 San Francisco, California 94104-3818 (415) 362-9900 Faa (415) 362-8492

January 22, 1998

PERSONAL AND CONFIDENTIAL

Mr. John Locke Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Dear John:

Enclosed are three copies of the Anchem ESOP valuation study for April 30, 1997. Our invoice for \$4,400 is also enclosed; this is \$400 less than last year. As we have discussed, your update fees for the past several years reflect time spent researching and analyzing the special events at Anchem such as the ongoing environmental issues, the Company/ shareholder real estate transactions, the S&I litigation and the Berg stock buyback and related consulting agreement.

Sincerely yours,

Eric M. Bramstedt

EMB:ew enclosures

BRAMSTEDT

and Associates Incorporated
Financial Consulting
Business Valuations
Financial Analysis

December 16, 1997

Employee Stock Ownership Plan Administrative Committee Angeles Chemical Co., Inc. P.O. Box 2163 Santa Fe Springs, California 90670

Attn: Mr. John Locke

You have requested that we express an opinion as to the fair market value of the common stock of Augeles Chemical Co., Inc. ("Anchem" or the "Company") as of April 30, 1997 for Employee Stock Ownership Plan (ESOP or "Plan") purposes. The purpose of this letter is to advise you of our opinion of value. The formal evaluation report will be forwarded under separate cover when completed.

In arriving at an appraisal of fair market value, some primary determinants of value are return on investment, growth potential and the investor's perception of risk. We have examined these factors as well as liquidity and other financial elements in analyzing the operating and financial performance of Anchem.

Our review and analysis places a fair market value on the common equity ownership of Anchem as of April 30, 1997 of \$974,758 or \$32,30 per share based on 30,166 A and B common shares outstanding. It is derived from an adjusted book value approach and is discounted for restricted marketability.

It is important to note that this per-share fair market value is for transactions involving minority interest(s) in the Company's common stock. It does not reflect the value of Anchem as an entity or the value of a block of stock which would give a single buyer control of the Company. The value established is based on financial information through April 1997. Accordingly, this value should be valid not only for that date, but also for a reasonable period beyond it.

The valuation conclusion and the appraisal report are being prepared by Bramstedt & Associates as a subcontractor to Sansome Street Appraisers, Inc.

Sincerely,

BRAMSTEDT & ASSOCIATES, INC.

Eric M. Bramstedt, CFA

Eni M. Bon

EMB:cw

ec: Ted Singer

2402 Vista Dei Mar Lane Tiburon, CA 94920-1208 Tel 415-435-9438 Fax 415-436-9438 1]4 Sanaome St., Suite 808 San Francisco, CA 94104-3818 Tel 415-362-9900 Fax 415-362-6492

EVALUATION REPORT

| 1) | CLIENT NAME: Angeles Chemical | |
|----|----------------------------------|--------|
| 2) | STOCK PRICE: 3230 | |
| 3) | EFFECTIVE DATE: $4/30/97$ | · - |
| 4) | TOTAL SHARES OUTSTANDING: 39,186 | |
| 5) | TOTAL F.M.V. OF CLIENT: 774, 758 | |

THIS FORM MUST BE COMPLETED AND GIVEN TO (1) DONNA AND (2) PUT INTO THE DATABASE MAILBOX EVERY TIME YOU COMPLETE AN APPRAISAL. THANKS. — Kyle

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APRIL 30, 1997 AND APRIL 30, 1996

ANGELES CHEMICAL CO., INC.

INDEX

- Accountant's Compilation Report
- 2. Balance Sheets
- 3. Statements of Income and Retained Earnings
- 4. Statements of Cash Flow
- 5. Other Income (Expenses) Schedule 1
- 6. Balance Sheet Schedules Schedule 2

SINGER, TRAYNOR & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

6055 East Washington Bl., Suite 500 Los Angeles, CA 90040

October 14, 1997

Angeles Chemical Co., Inc. 8915 Sorensen Ave. Santa Fe Springs, CA 90670

The accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1997 and April 30, 1996 and the related statement of income and retained earnings and cash flows for the years then ended have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included with the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows.

Accordingly, these financial statements are not designed for those who are not informed about such matters.

Singer, Traynor & Co.
Certified Public Accountants

Angeles Chemical Co., Inc.

BALANCE SHEETS

April 30, 1997 and April 38,1996

| | ASSETS | 1997 | <u>1996</u> |
|---|----------|-----------------|-------------------|
| CURRENT ASSETS | | | 280,057.52 |
| Cash | • | 318,101.92 | 200,037.32 |
| Accounts Receivable (Net of Bad Debts Allowances of | | 1 400 210 21 | 1 088 301 33 |
| \$5,000.00 and \$5,000.00 Respectively) | ·. | 1,480,618.61 | 1,055,201.72 |
| inventories (Lower of Cost, FIFO or Market) | | 1,121,854.75 | 1,228,538.89 |
| Due from Stallion Tank Lines, Inc. | | 19,715.28 | 30,228.28 |
| Due from Samson Chemical Co. | | • | 173,799.85 |
| Due from Litigation | | • | 640,000.00 |
| Due from Other | | | 450.00 |
| Employee Advances | • | 13,987.49 | 21,958.36 |
| Deferred Charges - Schedule 2 | • | 110,870.39 | 89,942.29 |
| TOTAL CURRENT ASSETS | • | 3,065,148.44 | 3,520,176.91 |
| FIXED ASSETS (at Cost) | | 2 i a a a a a a | THE AND AN |
| Land . | | 648,000.00 | 648,000.00 |
| Office Trailers | \ | 101,711.00 | 99,568.00 |
| Trucks & Autos | | 223,478.00 | 212,632.00 |
| Tanks & Plant Equipment | | 844,364.00 | 830,643.00 |
| Furniture & Fixtures | • | 251,023.00 | 241,765.00 |
| Plant | | 365,599.00 | 365,599.00 |
| TOTAL | i | 2,434,175.00 | 2,398,207.00 |
| Less: Accumulated Depreciation | | 1,612,710.00 | 1,570,967.00 |
| BOOK VALUE | • | 821,465.00 | <u>827,240.00</u> |
| OTHER ASSETS | | | e elemente |
| Deposits | | 6,080.00 | 6,080.00 |
| Investment in Samson Chemical Co. | | | 6,786.51 |
| TOTAL OTHER ASSETS | | 6,080.00 | 12,866.51 |
| TOTAL ASSETS | | 3,892,693.44 | 4,360,283.42 |
| | | | |

LIABILITIES AND SHAREHOLDERS' EQUITY

| CURREN | <u>T LIABILITIES</u> |
|--------|----------------------|
| | |

Accounts Payable

1,357,045.72 177,808.30 1,535,368.59 47,611.76

| Accruca Liadinaes - Schedole 2 | |
|---|---|
| Income Taxes Payable | 3,556.00 12,011.00 |
| Note Payable - Bank of Whittier | 268,636.13 |
| Note Payable - Other | 72,548.60 61,153.41 |
| Drum Deposits | 7,000.00 |
| Term Debt - Current - Schedula 2 | 37,497.56 34,942.56 |
| TOTAL CURRENT LIABILITIES | 1,655,456.18 1,966,723.45 |
| TERM DEST -Schedule 2 | 542.391.14 579,888.70 |
| Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; 34,065 & 54,065 Shares Issued & Outstanding Respectively Pald-In Capital | 3.406.50 5,406.50 105,723.80 105,723.80 1.585,715.82 1,702,540.97 |
| TOTAL SHAREHOLDERS EQUITY | 1,694,846.12 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | 3,892,693,44 4,360,283,42 |

SEE ACCOUNTANT'S COMPILATION REPORT

Angeles Chemical Co., Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1997 and April 30,1996

| | | | | | <u>1997</u> | <u>%</u> | 1996 | <u>%</u> | : |
|----------------------------|----|----|---|------|---------------------|--------------|------------------------|--------------|-----|
| 1 | | | | | 322 | • | | | • • |
| | ٠, | | | | 9,759,018.46 | 100.00 | 6,877,227.82 | 100.00 | |
| BALES | | | | | 6,752,928.38 | 69.20 | 4,955,527.93 | 72.06 | . : |
| LESS: COST OF SALES | | | | | 3,006,090.08 | 30.80 | 1,921,699.89 | 27.94 | 3 |
| GROSS PROFIT | | | | | 2,000,020.00 | 70.00 | 1,551,055,05 | 21.7 | |
| | | | | | | | | | ÷ |
| OPERATING EXPENSES | | | | 1. 1 | 686,068.75 | 7.03 | 563,188.24 | 8.19 | : |
| Salaries & Wages | | | | | 44,761.23 | 0.46 | 28,366,02 | 0.41 | 1 |
| Compensation Insurance | | | | | 333,313.73 | 3.42 | 205,889.96 | 2.99 | ٠. |
| Outride Labor | : | | | | 187,263.38 | 1.92 | 165,754.06 | 1.80 | |
| Insurance | | | | | 119,281.23 | 1.22 | 109,652.09 | 2.20 | |
| Track Expenses | | | | | 285,549,12 | 2.93 | 161,506.08 | 2.35 | |
| Freight | | | | | | 3,12 | 143,884.57 | 2.09 | v. |
| Commissions | | | | | 304,497.12 | | | 1.00 | |
| Rent | | | | | 83,841.54 | 0,86 | 77,279.73 | 1.12 | |
| Repairs & Maintenance | | | | | 104,520.53 | 1.07 | 117,843.68 | 1.71 | |
| Plant Expense | | : | | | 101,1 82.6 6 | 1.04 | 105,236.91 | 1,62 | |
| Printing Expense | | : | | | 1 602 60 | 0.00 | 9,198.59 | 0.13 0.00 | • |
| Tank Testing & Lab Expense | | | | | 1,693.60 | 0.02 | 00 DAC 16 | 0.30 | |
| Auto & Trevel | | | | į | 32,702.42 | 0.34 | 20,946.16 26,429.82 | 0.38 | , |
| Bad Debts | | | | | (90.57) | | (180.00) | | • |
| Bank Charge | | | | | (528.96) | | 47,850.35 | 0.60 | |
| Telephone & Utilities | | | | | 49,955.47 | 0.51 | | 0.59 | |
| - Execution | | | | | 41,743.00 | 0.43 | 40,868.00 | 0.80 | |
| bil Taxes | | • | | | 63,221.10 | 0.65 | 55,188.70 | | |
| Professional Services | | , | | , | 81,988.50 | 0.84 | 54,267.52 | 0.79 | |
| Taxes & Licenses | | | | • | 40,562.96 | 0.42 | 49,302.20 | 0.72 | |
| Business Promotion | | | | • | 24,277.97 | 0.25 | 31,513.26 | 0.46 0.44 | |
| Office Supplies | • | | • | | 27,233.06 | 0.28 | 29,936.77 | 1.0 | |
| Computer Expense | | | | | 38,187.21 | 0.39 | 38,099.80 5,249.71 | 0.55 0.08 | • |
| Advertising | | : | | | 16,074.77 | 0.16 0.26 | 5,249.71 6,500.00 | 0.09 | ٠. |
| Profit Sharing Expense | | | | | 25,500.00 | 0.10 | 9,876.70 | 0.14 | |
| Employee Welfare | | .* | | | 9,801.10 | | 9,685.08 | 0.14 | ٠ |
| Dues & Subscriptions | | | | | 9,741.95 | 0.10 | 32,379.86 | 0.47 | |
| Equipment Rental | | | | | 39,969.11 | . 0.41 | 7.00 | * ** | |
| | | | | | | | | RRO | ۸ |

| the state of the s | | 7,498.24 | 0.08 | 7,036.06 | 0.10 |
|--|---|--------------|----------|--------------|--------|
| Seminars & Meetings | | | | | 0.00 |
| Penalties | | 399.03 | 0.00 | 200 AA | |
| Donations | | 1,121.00 | 0.01 | 480.00 | 0.01 |
| TOTAL OPERATING EXPENSE | | 2,761,330.25 | 23.30 | 2,153,269.92 | 31.31 |
| · | | 244,759.83 | 2.51 | (231,570.03) | (3.37) |
| OPERATING INCOME (LOSS) | * | | | Y 44: 1 | |
| : | ' | A 224 00\ | (1.52) | 592,049.11 | 8.61 |
| OTHER (EXPENSES) INCOME - Schedule 1 | | (148,458.98) | . ।।।२८। | 332,017 | - |
| UTHER (EAT STOLY) IN THE | | | | | 137.3 |
| | | 96,300.85 | 0.99 | 360,479.08 | 5.24 |
| INCOME REPORT INCOME TAXES | | | | | |
| Provision for Income Taxes | | 17,126.00 | 0.18 | 12,811.00 | 0.19 |
| | | | | | |
| PRINTINCOME TO RETAINED EARNINGS | • | 79,174.85 | / 0.81 | 347,668.08 | 2.06 |
| EFFETAINED EARNINGS - BEGINNING | | 1,702.540.97 | | 1,354,872.89 | |
| LESS: SHARES RETURED | | (196,000.00) | | | |
| RETAINED EARNINGS - ENDING | | 1,585,715,82 | | 1.702,540.97 | |
| | | | 1.5 | | |

ORE ACCOUNTANTS COMPILATION REPORT

Angeles Chemical Co., Inc.

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1997 and April 30, 1995

| | 1997 | 1996 |
|--|--------------|---------------------------|
| | | |
| PERATING ACTIVITIES | 79,174.85 | 347,668.08 |
| let income | | |
| adjustments to Reconcile Net to Net Cash | | |
| rovided by Operating Activities: | (25,565.82) | (90,370.64) |
| quity in Income of Affiliate Sepreciation | 41,743.00 | 40,868.00 |
| CASH PROVIDED BY OPERATIONS | 95,352.03 | 298,165.44 |
| ASH PROVIDED BY OPERATING ASSETS AND LIABILITIES: | | |
| Increase) in Accounts Receivable | (425,416.89) | (275,141.51) |
| Decrease (Increase) in Inventories | 106,684.14 | (216,278.73) |
| Increase) Decrease in Deferred Charges | (20,928.10) | 45,578.23 (540,414.09) |
| Decrease (Increase) in Other Current Assets | 832,733.72 | (3,500.00) |
| Decrease (Increase) in Other Assets | 6,786.51 | 537,809.86 |
| Decrease) Increase in Accounts Payable | (178,322.87) | 3,562.34 |
| ncrease in Accrued Liabilities | 130,196.54 | 95.00 |
| increase in Customer Deposits | (8,455.00) | 12,011.00 |
| Decrease) increase in Income Tax Payable | 443,278.05 | (436,227.90) |
| NET CASH PROVIDED (USED) BY OPERATING ASSETS AND LIABILITIES | | (138,062.46) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 538,630.08 | (130,002.70) |
| ESTING ACTIVITIES | | |
| ributions from Affiliate | 25,565.82 | 112,698.00 |
| Purchase of Property, Plant & Equipment | (35,968.84) | (45,418.00) |
| NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES | (10,403.02) | 67,280.00 |
| FINANCING ACTIVITIES | | |
| Retirement of Common Stock | (198,000.00) | • |
| (Decrease) Increase in Notes Payable | (292,183.50) | 272,125.66 |
| NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES | (490,183.50) | 272,125.66 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 38,043.56 | 201,343.20 |

| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | | 280,057.52 | 78,714.32 |
|--|----|------------|------------|
| CASH AND CASH EQUIVALENTS - END OF YEAR | | 318,101.08 | 280,057.52 |
| CAON AND CAON DOOR | Þ. | | |
| IPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION ush Paid During the Years Ended April 30, 1997 and April 30, 1996 for: | | | |
| icome Taxas | | 25,611.00 | 800.00 |
| pterest | | 48,664.16 | 49,456.71 |

Augules Chemical Co., luc.

OTHER INCOME (EXPENSES)

| | 1 | For the Years Ended April 30, 1997 and April 30.1 | 25 | | Schodale 1 | |
|---|--------|---|--|--|--|--|
| | | | <u>1997</u> | % | 1996 | 3 |
| Income Split - Samson Chemical Terminating Charges Interest Income Claims Expense | | | 25,565.82 25,347.37- 9,461.91 (52,616.48) | 0.26 0.25 0.10 (0.54) | 90,370.64 22,645.90 3,260.93 (5,063.62) | 1.31 0.33 0.05 (0.07) 0.00 |
| Compensation Insurance Divides Contamination Proceeds (Expensation Loss Factoring Discount Miscellaneous Income Miscellaneous Expense | | | (92,228,82) (1,568,00) (13,982,97) 226,35 | (0.95) (0.02) (0.14) 0.00 0.00 | 4,526.31 (701.00) | 7.88 (0.10) (0.12) 0.07 (0.01) (0.72) |
| Interest Expense NET OTHER (EXPENSI |) INCO | ME. | (48,664.16) (148,458.98) | (0.50) (1.52) | (49,456.71) 592,049.11 | <u>8.61</u> |

SEE ACCOUNTANT'S COMPILATION REPORT

| SENT BY:SINGER T | RAYNOR & CO | ; 1-19-98 ; 2: | 29PM ; | S T & CO. → | 415 362 6492;# 9 |
|-------------------------------------|------------------|--------------------------|------------------|--|-------------------------|
| | | · . | | | |
| • | | Angeles Cham | cal Co., INC. | | |
| · , • | | BALANCE SHEE | IS SCHEDULES | | |
| A . | | <u>April 30, 1997 an</u> | d April 30, 1996 | | |
| | * | | | | Schadule 2 |
| • | 8. | • | | | |
| | , y ^T | | | <u>1997</u> | 1996 |
| • | | • | | | |
| DEFERRED CHARGES | | | | 1,260.00 | 1,974.34 |
| Property Taxes | | | • | 95,030.00 | 72,402.80 |
| Innume | | | ' . | 853.04 | 518.00 |
| Lease | | ì | | | |
| Excise Tax - Fuel | | | | 3,925.00 | 1,042.56 |
| Taxes & Licenses | | | • | 661.55 | 172.78 |
| Employee Benefits | | | | 9,140.80 | 10,121.62 |
| Other | | | | | 3,710.19 |
| Compensation Insurance | | , ! | | 110,270.39 | 89,942.29 |
| TOTAL | | | | | |
| | | ; | | and the second s | |
| 1, | | | • | | |
| | | • | | | |
| ACCRUED LIABILITIES | | | | 109,326.16 | 16,849.31 |
| Commissions | · | · . | | 1,080.98 | |
| Compensation Insurance | • | | | 2,790.00 | 1,493.21 |
| Sales Taxes ESOP Contribution | | | • | 21,000.00 | A COLOG |
| Payroll | | | • | 18,270.16 | 12,624.36 |
| assional Fees | | | | 6,000.00 19,341.00 | 16,644.88 |
| 4 | , . | | | 177.808.30 | 47.611.76 |
| <u>TOTAL</u> | • | | | 111,000-01 | |
| | | | | 1997 | |
| | | | Cumant | <u>1997</u> Term | <u>Total</u> |
| | | | Current | <u> </u> | |
| TERM DEBT | | | 10,492.53 | 174,351.36 | 184,843.89 |
| J. Locke | | | 10,492.53 | 174,351.36 | 184,843.89 |
| A. Rosenthal N. Spieler, Trustec | | • | 10,492.53 | 174,351.36 | 184,843.89 |
| Jaguar Credit Corp. | | | 6,019,97 | 19,337,06 | 25.357.03 579.888.70 |
| telam proper park. | | | 37 497 56 | <u>.542.391.14</u> | |
| | | | | | BR000792 |

| A | <u>1996</u> | |
|---------------------|---------------------------------|----|
| | Current Term | |
| TERM DEBT | 2,736.63 184,843.89 194,580.52 | ! |
| J. Locke | 9,736.63 184,843.89 194,580.52 | ļ, |
| A. Rosenthal | 9.736.63 184,843.89 194,580.55 | |
| N. Spieler, Trustee | 5,732,67 25,357.03 31,089.7 | • |
| Jaguar Credit Corp. | 34,942.56 579,888.70 614,831.20 | • |

SEE ACCOUNTANT'S COMPILATION REPORT



| DATE: 01-19-98 | FAX |
|----------------|-----|
| | |
| | |

MAX NO: (415) 369-1490

| 10 : | ERIC | BRAMSTED |
|-------------|------|----------|
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PROM: GTHB

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Sansome Street Appraisers, Inc.

Mendham, New Jersey

114 Sansome Street, Suite 808 San Francisco, California 94104-3818 (415) 362-9900 Fax (415) 362-6492

December 16, 1997

PERSONAL AND CONFIDENTIAL

Mr. James Locke Angeles Chemical Co. P.O. Box 2163 Santa Fe Springs, California 90670

Dear Jim:

Enclosed is a draft copy of the "Company" section of the Anchem ESOP valuation study for April 30, 1997.

Will you please review it for correctness and accuracy (as of April 30, 1997) and provide the information in the blank spaces?

Thank you.

Sincerely yours,

Eric M. Bramstedt

EMB:ew enclosures

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ANGELES CHEMICAL CO., INC.

APRIL 30, 1997 AND APRIL 30, 1996



ANGELES CHEMICAL CO., INC.

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SINGER, TRAYNOR & COMPANY CERTIFIED PUBLIC ACCOUNTANTS 500 Citadel Drive, Suite 300 Los Angeles, CA 90040

October 14, 1997

Angeles Chemical Co., Inc. 8915 Sorensen Ave. Santa Fe Springs, CA 90670

The accompanying balance sheets of Angeles Chemical Co., Inc. as of April 30, 1997 and April 30, 1996 and the related statements of income and retained earnings and cash flow for the years then ended, have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.



Singer, Traynor & Co. Certified Public Accountants